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REPORT
OF THE
Special Revenue Commission
TO THE
Governor and Legislature of the
State of New Mexico



SANTA FE, NEW MEXICO
1920

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REPORT OF THE NEW MEXICO SPECIAL REVENUE COMMISSION

TO THE
GOVERNOR AND THE LEGISLATURE OF THE STATE
OF NEW MEXICO

Made in Accordance With Chapter 9,
Fourth State Legislature
Extra Session, 1920

MEMBERS OF THE COMMISSION

H. J. HAGERMAN, Chairman

W. G. HAYDON,

JOHN JOERNS,

A. G. SIMMS,

W. W. RISDON,

R. F. ASPLUND, Secretary of the
Commission,

CLARA H. OLSEN, Executive Clerk,
ROBERT MURRAY HAIG, Ph. D.,
Special Counsellor of the Commis-
sion.

Santa Fe, New Mexico

November 23, 1920

Printed by
The Santa Fe New Mexican Publishing Corporation
Santa Fe, New Mexico

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LETTER OF TRANSMITTAL.

November 23, 1920.

To His Excellency,
The Governor of New Mexico.

Sir:—

We, the undersigned members of the Special Revenue Commission, appointed by the Governor of New Mexico under the provisions of Chapter 9 of the laws of the Special Session of the New Mexico Legislature of 1920, have the honor to herewith present to you our report.

Under the provisions of the law the report is to be submitted before the 1st day of January, 1921, and to the President of the Senate and Speaker of the House of the next ensuing regular session of the legislature. As soon as the legislature meets and these officers are appointed we will submit copies of the report to them, with such additional data as may seem wise to the Commission.

We have the honor to be,

Your obedient servants,

H. J. HAGERMAN, Chairman,
ALBERT G. SIMMS,
W. W. RISDON,
JOHN JOERNS,
WM. G. HAYDON.

CHAPTER I.

INTRODUCTION.

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CHAPTER I.

INTRODUCTION

This commission derives its authority from Chapter 9 of the laws of the State of New Mexico passed at the Special Session of the Fourth Legislature of the State of New Mexico in February, 1920. That law provides for the appointment by the Governor of a commission of five which commission,

"shall have power and authority to inquire into and make recommendations as to the policy or necessity of the adoption by appropriate legislation of a system of taxation of incomes and the relation of such a system of taxation to the present system of taxation of property in New Mexico real and personal, tangible and intangible, the taxation of the net income of producing mines and all other methods and powers of taxation in force in the State of New Mexico or which may be recommended for adoption by the legislature of the State of New Mexico."

(Note.—Copy of law printed in full in Appendix I.)

It is evident from the wording of the measure itself and from the circumstances leading to its passage that it was the intention and desire of the legislature that the Commission make specific recommendations not only in respect to the separate subjects of the taxation of incomes and of mines but in regard to the whole subject of taxation and revenue in its effect upon the state as a whole and upon its various political subdivisions.

The commission is strongly of the opinion and has made such fundamental opinion the starting point of its investigations and the basis of its findings that its aim should be towards simplification and co-ordination and that as far as is possible, every tendency which might result in amplification or complexity should be studiously avoided. This principle together with the principle that its researches and recommendations should constantly have in view the equitable and fair distribution of the tax burden are the two controlling influences which have dictated this report.

Bearing these principles in mind our first general inquiry was as to how far it would be necessary or wise to depart from the theory of taxation as now established in this state in order to bring about the desired results.

THE PRESENT BASIS OF TAXATION.

While New Mexico has on her statute books various laws which produce a certain amount of revenue through taxes our main source of revenue is the general property tax. This is the basis of our tax system as it is that of most states in the American Union. The only general provision as to taxation in the constitution of New Mexico is Section 1 of Article VIII which reads as follows:

"Taxes levied on tangible property shall be in proportion to the value thereof and taxes shall be equal and uniform upon subjects of taxation of the same class."

Section 2 of the same article limits state levies to four mills exclusive of institutional and debt levies and to ten mills for all purposes except for the state debt. Sections three and five, deal with exemptions and section six provides that large tracts of land shall not be levied against at lesser rates than small tracts. These sections constitute all there is in our present constitution about taxation.

The present Article VIII replaces Article VIII of the original constitution, and was adopted by a vote of the people on November 3rd, 1914. Sections 1, 2 and 3 of the original article read as follows:

Section 1. The rates of taxation shall be equal and uniform upon all subjects of taxation.

Section 2. The legislature shall have power to provide for the levy and collection of license, franchise, exercise, income, collateral and direct inheritance, legacy and succession taxes, and other specific taxes, including taxes upon the product and output of mines, oil lands and forests; but no double taxation shall be permitted.

Section 3. The enumeration of subjects of taxation in section two of this article shall not deprive the legislature of the power to require other subjects to be taxed in such manner as may be consistent with the principles of taxation fixed in this constitution.

What the motive was in passing the law amending these very direct and specific provisions does not appear clear. References to that matter appear in later sections of this report and in the reports of the committee hearing, which have been published in a separate pamphlet. It is certain that if

the original constitutional provision had been allowed to stand much subsequent controversy would have been avoided and our present problems considerably simplified.

The only general provisions as regards taxation in our laws is contained in Section 5427 of the Compiled Laws of 1915 and Sec. 12, Chapter 54 of the Session Laws of 1915, which read as follows:

Sec. 5427. "All property, real and personal, in this state shall be subject to taxation, except as in the constitution and existing laws otherwise provided."

Sec. 12, Chapter 54, Laws 1915. "All tangible property shall be assessed and taxed upon its actual value."

These laws, and Sec. 1 of Article VIII of the Constitution may therefore be said to constitute the basis of our taxation system.

In addition to the general property tax, established by these provisions (by which all classes of property, tangible and intangible, are required to be assessed at their full value and uniformly levied against to produce revenue,) we do, at present, derive some tax revenue from capital stock, franchise, inheritance, gasoline, poll and other forms of taxation and we have on our statute books an Income Tax law which is inoperative and produces nothing. All these will be more specifically referred to in this report.

The Commission, while fully aware of the fact that the adequacy of the General Property Tax as an equitable basis of taxation is open to controversy and has been a subject of dispute amongst economists for generations, are unanimously of the opinion that it should be retained as the foundation of our taxing system within this state. We are of the opinion because it is apparent to us that no other general system except income taxation is possible as a basis substitute for ad valorem taxation and we believe that to abolish ad valorem taxation and attempt to substitute therefor a general system of taxation of incomes would result in confusion and failure to raise the necessary revenue.

We are therefore directing our inquiry as to how the necessary revenue to properly conduct the government can be produced without burdening the taxpayers under a system which will primarily depend upon the uniform laying of taxes against the full value of property within the state.

This will not preclude our recommending the retention of other forms of taxation now in operation or the inauguration of other methods not yet practised if we are convinced that they are necessary to produce the required revenue or to

supplement and round out the general property tax at such points as, in our opinion, may be necessary in order to bring about a fairer distribution of the tax burden.

NECESSITY FOR A NEW REVENUE AND TAXATION CODE.

The Commission is convinced that because of the confusion now existing in our statutes in relation to the subject of assessments, levies and other features of taxation, that the only proper procedure for the legislature is the adoption of a new revenue and taxation code. That this should be done is evident to us because of a careful examination of the present laws conducted by members of the Commission's staff and outside professional assistants. This we are sure would be necessary even if no material changes in the present laws were made, and it will be the more necessary if, as we hope, various revisions in line with the recommendations of this commission are adopted. We will not attempt to point out all of the inconsistencies and confusion now existing in the laws, but will cite certain of them.

Section 5434-5437 of the revised laws require that the assessed value of property subject to taxation within the counties shall be "one third of the true value, or one third of the actual value" and all property was assessed on the one-third basis in accordance with the law during the years 1913 and 1914. We are unable to find any direct amendment to the law providing for one-third valuation as far as intangible property is concerned. There is no direct amendment to Chapter 52, Sec. 5437 except by implication. There is in Sec. 12, Chap. 54, laws of 1915, a direct change in the assessed value of tangible property which it is provided shall be hence forth assessed at its actual value. Under certain circumstances intangible property is also required to be assessed at its full value. Sec. 4, Chap. 54, laws of 1915, provides that "the actual value of the shares of the capital stock of all banks and trust companies incorporated under the laws of the United States or of this state" shall be determined by the Tax Commission who shall certify "the actual value of such property" in each county to the assessor thereof. "The value so certified" shall be placed upon the assessment roll in the same way as is the actual value of railroad property and of live-stock under the same section, and all grazing lands under Chapter 115, laws of 1919.

The capital stock of banks was formerly assessed under Section 475 of the code and 5437 of the compiled laws. Under Section 475 the chief officer of the bank was required to make out a list of all shares of stock, name of owner, the value, and

delivery to the assessor of the county in which his bank was located. Inasmuch as the assessor was required to value the property for purposes of taxation at one-third actual cash value thereof (Sec. 5437) it seemed to be clear that the shares of stock in banks like other property were to be assessed at one-third of their value prior to the passage of Chapter 54, laws of 1915.

FURTHERMORE, Paragraph 8 of Chapter 54, makes it the duty of the State Tax Commission "to ascertain whether any property subject to taxation in any county has been omitted from the assessment roll, in whole or in part, or has been listed thereon by incorrect or inadequate description", and in such case to certify the fact to the county assessor "together with a correct and adequate description of such property, real or personal, the number, quantity, amount of acreage thereof, and the name and postoffice address of the owner, if known." The assessor must put the property on the assessment roll "at the actual value of such property". It is clear that the draftsman of this section did not have intangible personal property in mind, but he has certainly included it if it be subject to taxation under Section 5427. If, however, intangible personal property is to be assessed at a third of its true value, under Section 5437, if listed, and at its true value under Section 8, Chapter 54, laws 1915, if not listed,—we would not have "an equal and uniform tax" "upon subjects of taxation of the same class."—Constitution, Art. VIII, Sec. 1—unless the assessment at actual value was intended as a penalty.

This, however, cannot be argued, since the section applies to tangible as well as intangible property and tangible property discovered by the tax commission is put upon the roll at the actual value—the value at which it should have been placed on the roll by the assessor.

Furthermore, under Section 12, Chapter 54, laws 1915, the maximum rate of tax to be levied for all state, city, county, town or village purposes is fixed at a certain number of mills on the dollar. If intangible personal property were still valued at a third of its true value, while tangible property is valued at its true value, this section would authorize taxation three times as heavy upon tangible as intangible property.

Further under the road bonds act, Chapter 172 of the laws of 1919, Section 4 "an actual ad valorem tax on all property subject to taxes for state purposes" is levied sufficient to produce a year's interest and the sinking fund. Under this section, taxes for this purpose at any rate are to be levied on the same basis of value for intangible as well as tangible property if subject to tax for state purposes. This statute of course only applies to a single levy, but it may be argued

that it shows the intention of the legislature to put intangible on the same basis as tangible property in a case in which it might be fairly argued that tangible property might fairly be asked to bear a heavier burden than intangible.

Furthermore, Chapter 165 of the Laws of 1919 exempts \$2,000 "in actual value" of the property of ex-soldiers. It is only possible to infer what the legislature had in mind.

It is clear from the foregoing that the legislature never passed definitely on the question of intangibles, probably because the taxation of intangibles in general was of so little importance that it was not thought of. But where an intangible, such as bank stock, was brought to its attention, that intangible was taxed its full value and there is nothing to show that Sees. 8 and 6 of the law, Chap. 54, Laws of 1915, were intended to apply only to intangible personal property. If they were intended to apply to intangibles, then the commission is charged with the duty of having the intangibles placed upon the assessment roll at their actual value, just like other property. The argument could be made that this section shows an intent on the part of the legislature to have the preceding sections relate only to tangible property, except so far as the special class of intangible property known as bank stock is concerned, which might be singled out as a class subject to taxation under Article VIII, Section 1 of the Constitution, and taxed on a higher valuation than other intangibles. But this explanation is hardly satisfactory as respects the fixing of the tax limit and the consequent adjustment of existing taxation to meet the new method of assessing taxes upon the full value instead of at a third.

The only basis found in the law for the practice of the State Tax Commission in assuming that intangible property should be assessed at its full value is, we believe, found in Sec. 6, Chap. 54 of the Laws of 1915, which requires the State Tax Commission to ascertain the actual total value of all property subject to taxation within each county in the state as nearly as practicable, and to bring the assessment of such property up to the actual total value.

This will clearly indicate the present inadequacy and confusion of the laws as they now stand on the statute books and the great necessity for a codified revision. There are many other instances which may be cited. For example, there are at least five different definitions in the present statutes of the basis upon which property shall be valued for purposes of taxation.

The commission hopes to have ready before the meeting of the legislature a carefully prepared draft of a revenue and taxation code comprising the present provisions and such

amendments thereof as are specifically recommended in the course of this report.

THE PRESENT COST OF GOVERNMENT.

No intelligent discussion as to the best methods of taxation or of general governmental revenue sources can, in our opinion, be had without a preliminary and full inquiry as to our revenue needs and of the ability and capacity of the state and its people to meet these needs. It is quite out of the question to properly consider how best to get the money to pay the cost of government until after some conclusion has been reached as to how much money is needed to carry on the government as it should be carried on. This in turn involves a consideration of the methods of administration best suited to our conditions and of the paying power of the taxpayers and property holders within the state. It further involves a discussion of the cost of our governmental system as now conducted and recommendations for its more efficient conduct where such appear to be called for and further a review of the state's present and prospective resources.

An examination of the detailed statistics given in Appendix XVI of this report will show that the cost of the Territorial and State Governments for the years 1910 and 1919 was about \$900,000 and \$4,350,000 respectively. This was an increase of about \$3,450,000 or 380%. These totals represent the actual payments by the central government and include the totals paid out through the state treasury for schools, state institutions and for investments in permanent funds, which payments may properly be deducted from the above totals in figuring the actual cost of our central government. After deducting such payments the net cost of running the territory in 1910 was about \$503,000, as against over \$2,500,000 for the state in 1919. This was an increase of about 500%.

An examination of the reports of the state auditor for the past ten years shows that total payments through the state treasurer's office grew from \$901,794.10 in 1910 to \$4,348,381.78, an increase in the decade of \$3,446,587.68, or 382%. If payments be deducted which are included in expenditures for schools, state institutions and for investments of permanent funds, we find the increase in the cost of state government has been from \$503,383.23 to \$2,550,750.00 or nearly 500%. In the same time the assessed value of property in this state has increased 110 per cent and the population only ten per cent.

The increase during the five year period 1915-1919 in total payments, less deductions as indicated above, for state government, has been from \$1,458,261.17 to \$2,550,750.50, or 75 per cent.

The cost of thirteen state educational and other institutions has increased from \$688,854.65 in 1915 to \$1,485,343.51 in 1919, an increase of 115 per cent.

The total payments made by county governments in the five year period 1915 to 1919, have increased from \$4,961,336.75 in the former year to \$7,792,637.00 in the latter, or 51 per cent. Excluding payments to state and town treasurers, but including schools, the increase in the same period was from \$3,702,716.45 in 1915 to \$5,370,128.31 in 1919, or 47 per cent.

Accurate figures for expenditures in incorporated cities, towns and villages are not available. It is known, however, that \$272,787.20 was the amount collected in taxes and paid to treasurers of such municipalities in 1915. In 1919 the amount collected and paid to such treasurers was \$511,777.99. From various sources information has been collected sufficient to warrant the estimate of \$1,144,475.40 for the year 1919. It is probable that the cost of government in incorporated cities, towns and villages has doubled in the five year period ending with 1919.

Consolidating the foregoing we have the following to indicate our increasing governmental expenditures, eliminating duplications in the five year period:

	1915	1919	Increase	%
State	\$1,457,261.17	\$ 2,550,750.50	\$1,093,489.33	75
State Institutions.....	688,854.65	1,485,343.51	796,488.81	115
Counties	3,702,716.45	5,370,128.31	1,667,411.86	47
Cities, towns villages	500,000.00	1,144,475.40	644,475.40	122
Total	\$6,348,832.27	\$10,550,697.72	\$4,201,865.45	67

These increases in expenditures have had to be met by corresponding increases in revenues arising from fees, licenses, assessments and special and general property taxes. By far the greatest portion of such revenues are derived, of course, from direct taxation, the increase having been from four millions and a quarter in 1915 to nearly ten millions in 1919, or more than 100 per cent.

INCREASING TAX RATES.

The weight of taxation is most clearly indicated in the direct tax levies upon general property, and here too the increase in governmental expenditures is strikingly reflected. The state levy in 1915 was \$3.95 per \$1,000 of assessed valuation and in 1919, \$8.75. (Note: This includes the so-called county road tax of three mills to meet Federal aid, the proceeds of which are paid into the state treasury); an increase of 124 per cent. The increase in state and county levies combined are indicated in the following table of tax rates:

County	1915	1919	Per-cent Increase
Bernalillo ..	\$14.83	\$25.15	70
Chaves ..	11.80	21.00	77
Colfax ..	10.15	18.95	87
Curry ..	11.88	25.85	118
De Baca ..		22.42	....
Dona Ana ..	10.35	22.00	112
Eddy ..	15.60	22.20	42
Grant ..	9.30	17.84	92
Guadalupe ..	11.14	19.99	79
Hidalgo ..		....	....
Lea ..		25.28	....
Lincoln ..	11.50	22.24	100
Luna ..	10.85	19.61	81
McKinley ..	8.22	19.95	142
Mora ..	11.70	20.10	72
Otero ..	13.20	24.64	86
Quay ..	12.77	25.95	103
Rio Arriba ..	12.20	24.23	99
Roosevelt ..	11.40	23.15	103
Sandoval ..	12.78	17.75	40
San Juan ..	14.83	30.05	103
San Miguel ..	11.85	23.25	97
Santa Fe ..	14.70	23.00	57
Sierra ..	11.86	16.67	40
Socorro ..	13.12	21.25	62
Taos ..	12.38	21.75	77
Torrance ..	10.59	21.21	138
Union ..	12.75	21.25	66
Valencia ..	10.62	17.74	67

Speaking in a very general way the foregoing indicates an increase in the state and county levy of from 40 to 142 per cent. If the constantly increasing near approach to full

valuation be taken account of, it may be said that the state and county rates have been more than doubled in the five year period. To the state and county tax rate must be added the levies for cities, towns and villages and the special school district levies. In some of the cities, towns and villages the tax rates for all purposes approach and even exceed a total of four per cent on approximately full valuation.

If the tax rates in the various county seats be taken, including state, county, city and special school districts, we have a table as follows:

Cities, Towns, etc.	1915	1919	Per cent Increase
Albuquerque	\$21.25	\$38.89	83
Roswell	20.80	36.00	73
Raton	21.15	32.75	55
Clovis	16.08	43.45	170
Ft. Sumner	11.48	29.00	153
Las Cruces	17.35	31.75	83
Carlsbad	24.35	32.15	32
Silver City .....	.....	.....	.....
Santa Rosa	14.69	26.94	83
Lordsburg	11.80	22.84	94
Lovington	16.85	31.28	86
Carrizozo	15.00	27.44	90
Deming	16.46	27.12	65
Gallup	15.82	34.40	118
Mora	11.70	25.20	116
Alamogordo	20.20	44.89	122
Tucumcari	21.45	41.35	93
Tierra Amarilla	12.20	27.25	123
Portales	21.20	46.00	113
Bernalillo	12.78	17.75	39
Farmington	26.95	47.71	78
Las Vegas	17.40	30.00	72
Santa Fe	22.13	33.36	51
Hillsboro	11.86	16.67	40
Socorro	16.37	37.50	129
Taos	12.38	24.75	100
Estancia	13.19	32.03	143
Clayton	18.31	43.75	139
Los Lunas	10.62	17.88	69

The increase in taxation may be further illustrated by noting that in 1915 the total amount of taxes levied for all purposes in the state was \$4,299,928.69 and in 1919 \$9,500,-000.00 to which should be added approximately \$25,000 de-

rived in that year from taxation of private car companies and \$18,120.00 derived from the corporation franchise tax.

CAUSES OF INCREASING COSTS.

From what has been shown there can be no doubt as to the rapid increase in the cost of government and in the burden of taxation. Much of the increase, in fact the greatest part of the increase, is justified because of the need of better roads, better schools, better health conditions and improved governmental service. Granting this there are items of expenditures that are not justified. While schools and roads are mainly responsible for the great recent advance in the cost of government, a careful analysis of the situation does not justify the conclusion that the greatly augmented burden is due to these factors alone, nor can the suggestion that the increased cost of state government is properly chargeable in any large measure to the change from a territorial to a state form of government be maintained. The costs of educational and highway facilities will be fully considered later in this report.

According to figures heretofore given, it has been shown that the total expenditures by the state, state institutions, counties and cities were \$6,348,832.27 in 1915, and \$10,550,697.72 in 1919, an increase of 67 per cent. Analyzing these figures it is found that for education the expenditures in 1915 were \$2,016,583.23, and in 1919, \$4,015,168.02, an increase of 100 per cent. For roads and bridges in 1915 the expenditures were \$1,078,351.25 and \$1,904,034.48 in 1919, an increase of 80 per cent. Cities, towns and villages spent \$500,000 approximately in 1915 and \$1,144,475.40 in 1919, an increase of 122 per cent. The penitentiary, Insane Asylum, Reform School and Miner's Hospital spent together a total of \$194,015.38 in 1915 and \$347,601.86 in 1919, an increase of 78 per cent. For all other purposes the expenditures were \$2,559,882.41 in 1915 and \$3,139,399.96 in 1919, an increase of 23 per cent.

If the "other purposes" were still further detailed, it is possible that the increase would still be largely in those items which result in some service to the public and that the miscellaneous governmental expenditures would show a comparatively low per cent increase. It will be pointed out, however, later in this report that substantial saving can be effected through simplification and coordination of governmental agencies and in costs that do not produce a commensurate return to the tax payers of the state.

In the foregoing paragraph an attempt has been made to bring together all the expenditures made by the state, the state

institutions, the counties and the towns and to regroup them as to purposes. It will be seen that educational costs constitute practically thirty per cent of the total and highway costs about 15 per cent of the total in 1915.

In 1919 educational costs had risen to 40 per cent and highway costs to 20 per cent of the total costs. These are the two largest items of public expenditures.

It is probable that more liberal provision will have to be made for public health and sanitation and for various welfare purposes. The last legislature created three departments to bring about improvements along these lines. Still more adequate measures will be required for the care of delinquents. These additional demands as well as those for improved highway and educational facilities lead us to stress this matter of governmental costs. The more we can by re-adjustment eliminate waste, the more funds we shall have available for constructive and welfare measures.

Even when the utmost care is exercised in public expenditures, there will still be need of additional revenue to the end that certain classes of property shall not be too heavily burdened.

It is for these reasons that we recommend a better, more efficient administration, an income tax to bring intangible wealth under the burden of taxation and an ad valorem basis for taxing the mineral wealth of the state.

As to the increased costs to the taxpayers because of the change to statehood it may be said that while the amounts formerly paid the territory for administrative charges by the Federal Government were not large and are now met at home, the increase in administrative costs due to unnecessary elaboration entailed by the change are entirely out of proportion to the benefits received. While the change to statehood necessarily involved certain increases in governmental costs the legislative and administrative scheme devised was over elaborate and more expensive than there was any reason for. Formerly the Federal Government paid the Governor, the Secretary of State and some of their office expenses and part of the courts' costs and the charges of the biennial legislatures up to a certain amount. This amounted in all to around \$30,000 per annum. With the advent of statehood the legislature was changed from 12 to 24 in the upper house and from 24 to 49 in the lower house, a change involving great additional expense and certainly of a doubtful efficacy, as old members under the two regimes will doubtless agree. Salaries all along the line have been increased and new offices have been created. The wisdom or necessity for this expansion is perhaps not a proper subject of comment in this report, but

we believe that where curtailment and coordination in any department is manifestly called for we should make suggestions for such changes as bearing directly on revenue needs.

Extravagance, waste and inefficiency in government is due in a very great measure to ignorance and cupidity and, in a lesser degree, to the exigencies of polities. We do not believe that New Mexico is, on the whole, worse off in these respects than some other states. We think, however, that all in all, our taxpayers are less able to stand it than the taxpayers of richer and more thickly populated states. With great areas of vacant, untaxed government lands, with great open ranges, wealth producing to some degree but tax-free because of family exemptions skillfully allocated, with great tracts of our best lands in the possession of the Indians who pay nothing toward Government support, with so sadly inadequate an administration of tax laws that considerable numbers of favored property holders regularly escape all or part of their fair share of the burdens of taxation, the actual tax burden is not equitably distributed, and many of those who do pay the taxes laid against them without complaint find themselves at a distinct disadvantage. They are looking to us to find a cure and they complain bitterly when they see waste, carelessness or inefficiency in the actual administration of state and county affairs and when they see large sums of their money lost or wasted because of incompetent officials, they object vigorously when they see men repeatedly put into offices where they handle public money and important trusts not because of capacity or experience but merely on account of political expediency. A good many people have come to us and asked us what we were going to do about this phase of the problem. "What is the good", they say "of devising means for raising new revenues until you show us that what is already raised is properly used. No laws are of any use until you get the right men to administer them. What about that?"

These are hard questions to answer. It is hard to know what to suggest in response to these well merited complaints. Anything more than a very cursory survey of the present methods of governmental administration in the state has been quite out of the question in the time and with the means at our disposal. We are, however, very fully convinced that, quite irrespective of the proper distribution of assessments and the equitable enforcement of levies, the people have very good reason to complain of the way in which a good deal of their money is being used. We are convinced that a good deal of it could be saved if a fair degree of efficiency were introduced into state and county administration. We are in

complete accord with the opinion, generally held, that, irrespective of the source of revenue supply, too much is being spent in proportion to the benefits received. Irrespective of the question of benefits we believe that more is being spent than the present wealth and resources of the state justify. In other words we believe that the amount of money now being spent for governmental purposes in this state, even if it were properly distributed, would be a very severe burden on the taxpayers, a greater burden than they should be required to bear. Perhaps this would not be true were the burdens of Federal taxation not so great. Federal taxes paid in New Mexico amount, as shown elsewhere in this report, to nearly \$2,000,000 a year. According to the best informed students of the question there is practically no prospect that the rates of Federal taxation will be reduced for many years. With the great difficulties of curtailing Federal expenditures, once inaugurated, with our enormous war debt involving an annual interest payment greater than our total debt before the war, with the billions loaned to Europe and little prospect of reimbursement, with the still hopelessly unsettled world conditions, with a desolated world looking to us for help—those who predict any lessening of federal taxes are surely ill advised.

It is a fact that with the tax burden distributed as it is now distributed in this state the charge on some classes of property is so great as to virtually amount to confiscation. In many instances it is so great as to amount to positive discouragement to industry and initiative in lines upon which the state's future development must depend.

NEW MEXICO'S LIMITED RESOURCES.

New Mexico is not a state of great prospective resources, that is to say, the chances of any rapid development of new wealth producing resources are very remote. No program involving rapid increases in public expenditures can be properly predicated on any rapid increases in our tax paying ability. The present expenditures and the present rate of increase in expenditure cannot be justified. New wealth in this state must depend in a very large measure on the development of agriculture and mines. That is generally admitted. The grazing industry upon which so great a share of our prosperity depends, has, in the opinion of honest observers, reached its limits and, in fact passed its zenith. Our ranges are already over-stocked. The grazing areas of natural grasses in the state still available in public and private ownership are, on the whole, not more than two-thirds as good as they were fifty

years ago. While it is true that over-stocked ranges may in time recover, if given absolute rest for a long series of years, such recovery is actually very slow and, in fact, except in certain privately owned ranges little chance for recovery is afforded. Outside of the National Forests there is no control of the open ranges. Wherever there is free grazing the range is used to the limit irrespective of grass conservation, whenever water conditions permit. The net result of these conditions is that the greatest wealth producing asset of the state, the asset upon which, above all others the business welfare of our people depends has deteriorated. Range preservation can on the whole be properly effected only through private ownership or public control. Public control on a large scale has not yet been made practicable. Private ownership of a good many large tracts has been perfected in recent years but high taxes against such privately owned tracts does not encourage such ownership.

Great advances have during the past twenty-five years been made in irrigation farming in this state. Practically all the water in the state available for irrigation purposes has been appropriated. No great and sudden increase in the area of irrigated farms or in the wealth producing power of the lands now available for irrigation can be looked for. Intensive farming and improved methods are gradually increasing the efficiency of the lands now reached by irrigation but in some of our principal irrigated districts this improvement is certain to be but slow. We have a great many adverse conditions to contend with in connection with making the best use of our irrigable areas. To make the best use of them requires large initial expenditure and continued large maintenance cost. It requires scientific farming on the most approved scales. It requires the most progressive and energetic men, great patience, hard work and persistence. Sooner or later it requires drainage at great cost. The Rio Grande Valley, the oldest irrigated district in the United States, is now greatly impaired because of the lack of proper drainage. The Rio Grande river bed has gradually risen with deposited silts so that the adjacent farm lands are subject to periodic overflows and the general water table constantly rising. Old established ditch systems and numerous areas of Indian lands make a proper solution of the drainage problem exceedingly difficult. Many areas once highly productive are now practically swamps. The valley as a whole and the water appropriated for and available for its irrigation are not producing one-tenth the wealth in agricultural produce they should produce if they were used to their greatest eco-

nomic capacity. It will cost millions in money and many years of work to bring this valley to the economic condition it is capable of. Great sums will have to be obtained to bring about this condition and in the meantime the tax-paying ability of the Rio Grande district as a whole will but very slowly increase. And this is one of the two great irrigated districts of the state.

The other is the Pecos Valley. The Pecos river and its tributaries in New Mexico are, we believe, actually irrigating not more than fifty thousand acres of land. All the water has been appropriated and the Government has brought a suit to confirm the Government appropriations under the Carlsbad Project. It is not probable that over 150,000 acres of land will ever be brought under effective irrigation from the Pecos river system in the state. That is the extreme and many years will be required to do that. Cotton raising in the Carlsbad project and other lower Pecos Valley points seems to be a success and if a large area can be made to successfully grow long staple cotton an appreciable increase in assessed valuations of farm lands should be looked for in that vicinity.

A similar increase in land values due to a like cause should occur in the Mesilla Valley. On the whole, however, as clearly pointed out in the evidence of the President of the State Farm Bureaus in the committee hearings (Note: See testimony of Major R. C. Reid) agricultural lands in the state are taxed to the full capacity already and the increase in their total assessed value must be very gradual.

There are other irrigated spots in New Mexico besides those watered by the Rio Grande and the Pecos and their tributaries—mostly in San Juan and Colfax counties—but their aggregate acreage is comparatively small. Unless there is an entire reversal in the order of nature it is not probable that in the next hundred years a total of more than a million acres of New Mexico's 78,000,000 acres of land will be brought under continuous and successful cultivation. This is not a pessimistic forecast. It is based on thirty years close observation during a period in which two great government irrigation projects have been installed and on a retrospect over hundreds of years of the history of the oldest settled portion of the United States.

Perhaps a very considerable increase in the aggregate of taxable values in the state will be ultimately brought about by success in dry farming. We already hear much of that in connection with Torrance and Curry and other counties. We know that highly encouraging results have in places been obtained occasionally without irrigation in recent years. An

honest analysis of that situation will, however, clearly demonstrate that the whole subject of dry farming in this community is still in an experimental stage, that nowhere near enough has, as yet, been demonstrated in that respect, to warrant the statement that dry farming is a success. An honest analysis of the situation will show that hundreds of homesteads and desert entrymen, sincerely believeing they could raise crops without irrigation, have abandoned their farms after valiant and ineffectual attempts to do so. A frank examination of statistics will show that dry and wet seasons in seven year cycles are the established course of nature in this country and that one or two years out of the seven will in all probability generally prove wet enough to raise certain fairly good crops without the aid of irrigation—and not more than that. (Note: See page 141 Committee hearings.)

No sudden access of taxable wealth is to be looked for because of dry farming. As to the development of her mineral resources New Mexico has also been notoriously slow. No section of the United States was so early explored for precious minerals as what now constitutes New Mexico. It is safe to say that there is hardly a deposit of silver, gold, copper or lead in the state that was not known to the old Spanish pioneers. But in spite of this earlier original discovery of these ore-bearing districts their development has been exceedingly slow and the total number of profitable mines in this state is now comparatively small, very small compared with our neighboring states of Arizona and Colorado. This has been the subject of special comment among mining men for many years. The recent development of the low grade copper porphyries in Grant county and the prospect that there may be similar deposits in Sandoval county and elsewhere has added a new zest to mining development in the state and served to overcome much of the pall which seems to have hung over New Mexico's mining industry. In the Mogollons, the Ortiz, the Glorieta and elsewhere, old mines seem to be taking on a new lease of life and there is reason to believe that from a mining viewpoint New Mexico may, at last, be coming into her own. The subject will be more fully dealt with elsewhere in this report; suffice it to say here that from a tax producing standpoint mines have, so far, produced but little compared with railroads, live-stock interests and lands.

The suggestion has been made that the slow development of mining in this state may be due to the lack of proper opportunity being given to outside investors to know of our prospects and mineral resources, a lack that might be supplied by a properly equipped publicity bureau of mines. This suggestion may perhaps merit the attention of the legislature.

There are undoubtedly very great untouched deposits of coal in various parts of the state and perhaps large deposits of iron ore in eastern Socorro county and elsewhere, but these cannot be counted upon as tax producers until they are developed or unless their actual value has in some way been demonstrated so as to make them proper subjects for taxation. Until such time comes they will actually be latent resources.

The railroads, as is well known, are the greatest revenue producers in the state. Over a hundred million of the total of 380,000,000 dollars of assessed values in New Mexico arises from the railroads. They pay more than 10/38 of the taxes, as they pay all the levies made against them whereas the average payment in the state is around 90%. These railroads to which is due so large a share of our governmental revenues are mostly transcontinental lines passing through this state. The amount of their business originating here is comparatively small. It is quite out of the range of probabilities that there will be any material increase in railway construction within the state for many years. Some short lines may be built but since the value has dropped out of the best railways securities, funds for new construction will certainly not be easily available. There is nothing to indicate that there will be any material increase in assessed values in this state from railways for many years. On the contrary, it is more than likely that railway assessed valuation will decrease.

About the only possible source of brand-new revenue for government, not touched upon, is, we think, new oil discoveries. So far there have been no pay oil discoveries and until there is, that cannot be counted upon as a new source of revenue.

This resumé of the situation as to existing conditions will, we believe, demonstrate that any budget program based upon a material and regular increase in the value of tax paying property in the state, is quite unwarranted and unsound.

(Note: See also Appendices XVII, XVIII, XXXIII.)

CHAPTER II.
ADMINISTRATION.

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CHAPTER II. ADMINISTRATION.

At the very beginning we wish to record our conviction that the trouble with taxation in this state lies not so much in shortcomings of the tax system as in the inadequacy of the administration. In spite of material advancement brought about since the establishment of the state tax commission, assessments are still inaccurate and incomplete. This is a matter of such common knowledge that we do not deem it necessary to attempt to demonstrate it. The witnesses who appeared before us were unanimous in their testimony that the system of locally elected county assessors had broken down; that the assessors were ordinarily chosen for considerations quite apart from their technical qualifications or efficiency; and that, in short, the office had become a political football. Although there are occasional officials who are both able and industrious, the great majority appear to be either inefficient or negligent, or both. One case was cited of an assessor who had been out of his county for nearly a year. The actual assessment is often delegated to a deputy, paid by the county, and the work usually consists of the mere mechanical copying of the roll of the previous year. The assessors are often without aids to assessment such as maps and charts. No provision is made for the expenses of field work and consequently, even in the case of real estate, the assessor does not ordinarily view the property personally in order to arrive at a valuation for tax purposes.

Under the statute which forbids holding office for more than two consecutive terms, there is no possibility that the position will come to be regarded as a professional one in which rewards will be apportioned according to ability, attainment and faithful service. The offices are political spoils and the assessment functions have degenerated to a point where they consist of the mechanical, unquestioned acceptance of almost any return which the taxpayer may be disposed to render.

It is both futile and foolish to demand high-sounding reforms in our revenue system, to babble about the equity of the distribution of the tax burden, to establish complicated and finely-spun measures like the income tax, and to insist upon a full and accurate assessment of property as difficult to value as mines and coal reserves, unless the people of this state are enough in earnest to pay the price of good administration. No substantial, permanent progress can be made until we are willing to face squarely this fundamental problem. There is room for differences of opinion as to what type of organization is best adapted to accomplish the work, but there

is no question at all about the inadequacy of the present organization. Our only road to tax reform is one which leads away from the conception of tax administrator as a political office-holder and approaches the conception of the administrator as a professional technician whose prosperity and well being depends entirely upon his skill, impartiality and industry.

When this commission first began to consider this problem, it was with the earnest hope that we could recommend some moderate measure which would not involve radical changes in the existing organization, for we fully realized that a proposal involving radical changes would be certain to arouse antagonism which might prejudice our entire program. Our aim in this report is not to paint a picture of an economic heaven. On the contrary, we are determined to suggest nothing which is not clearly feasible, and capable of immediate realization. Our search for a moderate remedy of our administrative difficulties, however, has been fruitless. In this case we are convinced that the only feasible course is a bold course. Every one of our tax proposals stakes its chances for success upon the possibility of securing good administration. We have modified and adapted our recommendations so as to make them as simple as possible from an administrative viewpoint, but, even then, the legislature would be wise to discard the whole report unless it can see its way clear to take the necessary steps to build up an efficient administrative force. In our minds the issue is clear. If the demand for tax reform is sincere, the issue will be frankly met. If it is not sincere, it will be evaded. Unless the people are willing to demand that the legislature take the necessary steps to reorganize the machinery of assessment, they must cease to complain about the corporations escaping taxes and the inequality of the tax burden.

STATE TAX COMMISSION.

In our opinion the State Tax Commission has fully justified its existence. It was first established in 1915 (1) and its position was strengthened in 1919 (2). Its work has given general satisfaction, and such improvements as have developed in property assessments are directly traceable to its activities. Further progress is to be sought in materially strengthening the resources and powers of this commission. Our suggestions for changes in the tax laws will result in increasing the duties

(1) Laws of 1915, Chap. 54.

(2) Laws of 1919, Chap. 115.

of this commission to an extent which will justify the appointment of three men on a full-time basis in place of the present arrangement which consists of one full-time and two part-time commissioners. Not only the quantity of the work to be done but its nature as well makes the three-member type of commission a desirable one. Many of the questions which the commission will be called upon to solve, should our recommendations be adopted, will demand deliberation and judgment of a type where a decision of three will give much better satisfaction than a decision of one man.

The salary now paid the full time commissioner is inadequate. We recommend that each of the three members of the proposed commission be paid an adequate salary.

The chairmanship of the commission should carry no additional compensation. There should, of course, be a chairman who should be vested with responsibility for initiating action but he should be designated by the commissioners themselves from their own number, the governor being given power to designate in case of inability of the commissioners to agree.

It is undesirable to establish any fixed rule of rotation.

The term should be six years, one term expiring every two years, and incumbents should be eligible to reappointment.

Commissioners should be removable by the governor only on grounds of established inefficiency or dishonesty.

The addition of the two full-time commissioners together with the establishment of the force of district supervisors of assessment recommended in the following section (page 29) should make the present force of field agents superfluous it would be expected that the tax commissioners themselves would travel about the state to an extent which will render it possible to familiarize themselves with conditions in different sections and for the purpose of hearing appeals and complaints. Necessary traveling expenses should be provided for this purpose.

The tax commission should be the keystone of the administrative arch. As will appear from our detailed recommendations, the ultimate power for finally determining assessments of all types should rest with them, subject, of course, to review by the courts. They should have full authority to make adjustments on appeal as well as power on their own initiative to correct individual assessments, to make blanket increases or decreases or to demand re-assessments in counties or subdivisions thereof.

LOCAL ASSESSMENT.

In our search for a type of assessment organization which is adapted to the peculiar economic and political conditions

which obtain in this state, we have considered various systems in use in other states and in other countries. We have been particularly interested in the Wisconsin plan of elected county assessors supervised by a force of state assessors, who are permanent civil-service officials, and in the plan under which the assessors are not elected but are appointed by the county commissioners. Neither of these plans, however, appears to us to be entirely suited to our local situation. Here the locally-elected county assessor stands condemned by his record and there is no rational foundation for the hope that the appointees of our county commissioners would be able materially to improve that record. The assessment problems here are essentially different from those in some of the states where the locally-elected assessor has found favor. Our immense distances, our sparse population, and the economic differences which exist between sections of the state, all combine to form an assessment problem which can be satisfactorily solved only through disinterested central control. Consequently we are reluctantly forced to advance an iconoclastic suggestion. **We recommend that the entire assessment procedure be centralized and professionalized.** We have found no other solution which we can commend with confidence.

At the head of this centralized system should be the state tax commission, reorganized and strengthened in accordance with the suggestions outlined above. This commission should be flatly charged with the responsibility of securing a complete, uniform and accurate assessment of all property and personal incomes within the state. It should assess directly certain types of property, such as the public utilities, both local and state-wide, and the mines. It should supervise and control the assessment of other property and of incomes by an organization of district and local assessors appointed by them upon examination to determine fitness. These appointees should be permanent officials removable only by the tax commission on grounds of dishonesty or inefficiency.

The state should be divided into assessment districts in accordance with the economic and physical characteristics of the country and the size of the assessment task to be performed. We suggest the following plan of distributing the counties among the districts, the numbers assigned being of course purely arbitrary:

1	<table border="0"><tr><td style="padding-right: 20px;">De Baca</td><td rowspan="6" style="font-size: 2em; vertical-align: middle; padding-left: 10px;">}</td></tr><tr><td>Roosevelt</td></tr><tr><td>Curry</td></tr><tr><td>Chaves</td></tr><tr><td>Eddy</td></tr><tr><td>Lea</td></tr></table>	De Baca	}	Roosevelt	Curry	Chaves	Eddy	Lea	Headquarters at Roswell.
De Baca	}								
Roosevelt									
Curry									
Chaves									
Eddy									
Lea									

2	Colfax Union Mora San Miguel Quay Guadalupe	Headquarters at Raton, Las Vegas, or Tueumeari.
3	Santa Fe Taos Rio Arriba Sandoval San Juan	Headquarters at Santa Fe.
4	Bernalillo McKinley Valenciea Socorro Torrancee Lincoln	Headquarters at Albuquerque.
5	Grant Hidalgo Luna Sierra Dona Ana Otero	Headquarters at Deming or Las Cruees.

Each district should be in charge of a district supervisor of assessments who would be responsible to the tax commission for the assessment of property and incomes within his district. He should have direct and complete control over the local assessors and deputies and should have power, subject to the approval always of the state tax commission, to move assessors or deputies from one county to another temporarily as the exigencies of the work demanded. The salary should be sufficient to attract and hold competent supervisors.

The district supervisors should be selected from the best material now available among the assessors and deputies in the counties. They should be furnished by the tax commission with such materials and instruction as may be necessary to equip them as experts in valuation and income tax procedure, and to accomplish this the tax commission should be supplied with sufficient funds to provide such materials and instruction. For this purpose the supervisors should meet from time to time in a body with the tax commission, and at such conferencees instructions could be made clear and the difficult problems of procedure could be explained. The com-

mission should have power to transfer supervisors from district to district, either temporarily or permanently as the good of the service may require.

The district supervisors should be counsellors and guides to the local assessors and deputies. They should travel to all parts of their districts, always subject to call by the local official whenever he encountered any puzzling problem. He should keep himself free from routine so far as possible and devote himself to such activities as will tend to result in complete, uniform and full-value assessments within his district. His presence in a district should make for technical efficiency and accuracy of assessment and should result in considerable relief to the state tax commission, much of whose time is now occupied with correcting the errors of inefficient local assessors.

The offices of local assessor and deputy should at first be filled by the present incumbents of the county assessment offices as they now exist under local control insofar as those officials might care to enter an organization where their chances of retention and advancement depends solely upon their professional efficiency. The state tax commission should be entirely free to discharge any person who did not attain reasonable standards in his work and should devise ways and means for speedy recognition of special merit by advancement in rank and increase in salary.

It would of course be necessary to have a local assessor and deputy in each county and to keep the assessment records with due regard to the boundaries of the political subdivisions.

The examinations which should be used as a method of determining the fitness of candidates for positions on the staff of assessors should be non-academic in character. Examinations admirably suited to this purpose have been set in other states. However, weight should be given to other considerations than mere ability to stand well in an examination. A candidate's experience in lines which would add to his equipment, his personal qualities and general reputation for honesty, good judgment and ability, should all be given due weight.

The cost of our present assessment system is approximately \$135,000. Under the proposed scheme it is probable that the cost would amount to \$50,000 more. To offset this increase, there will be a saving along many lines. Full and equitable assessments will reduce the cost of collecting delinquent taxes which are now due to faults in the valuations. Tax rolls should reach the collector on time and save the expense incurred by the present delays. Taxpayers will be saved the cost of petitions for readjustment of assessments. Long and expensive sessions of equalization boards will be avoided.

Furthermore, it should be kept in mind that the administration of the income tax law, if adopted, will devolve upon the state tax commission and the general organization as here recommended will meet the requirements for such administration without additional cost. Above all, there will result, we believe, a far more equitable distribution of the tax burden which is the aim of all our endeavors. We believe therefore that the cost involved in the adoption of the plan outlined above would be very inconsiderable compared with the advantages which would accrue.

Assessment, whether it be that of valuing property or arriving at net income, is a technical task in which trained judgment is necessary. That judgment can scarcely be expected to be impartial and accurate so long as the assessor must have regard for the local political effect of his acts. Moreover, so long as an assessor has nothing to gain from industry and efficiency, these qualities can scarcely be expected to develop. The problem of assessment is already of great importance both from the point of view of the amounts of money involved, and from the point of view of equity in the distribution of the burdens of taxation among property owners. The introduction of an income tax will add burdens which it would be folly to impose upon the present organization. The increase in public functions which appears to be the trend of times will make the whole problem progressively greater. In our opinion it is wise in this case to proceed boldly and to adopt an organization for valuing property and assessing income which will lift the whole procedure out of politics.

(Note: See Appendices XIV, XXII, XXVI, XXVII, XXVIII, XXIX, XXX, XXXI, XXXV.

CHAPTER III.

INCOME TAX.

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CHAPTER III. INCOME TAX.

The immediate occasion for the appointment of this commission was the desire to secure a recommendation regarding the advisability of establishing a workable income tax in this state. The problem here presented has occupied much of the time and attention of the commission. The testimony of the witnesses who appear before us revealed the greatest differences of opinion both as to questions of fundamental policy and as to details. There was conflict of view as to the constitutional status of an income tax in this state. There was disagreement as to the desirability of establishing such a tax at all. There was no unanimity as to what should be its character, if it were to be established. Scarcely any two witnesses agreed regarding the proper scope of application of the income tax, regarding its rates, whether progressive or uniform, regarding the exemptions, offsets and deductions and regarding its administration. In view of the variety of this testimony the commission recognizes that it is impossible to formulate a recommendation which will give satisfaction to all.

After considering carefully all the factors involved in the situation we have come to the conclusion that an income tax should form a part of the state revenue system and that it should be a personal income tax levied at a uniform rate. The reasons which form a foundation for this conclusion and a detailed explanation of the measure we propose for enactment into law are discussed in the paragraphs which follow.

Effect Upon Distribution of Tax Burden. It is a truism in public finance that a combination of several comprehensive taxes gives better results than any one single tax. No tax is perfect. It has not been possible to devise a single standard of taxation which will be an entirely satisfactory measure of tax-paying ability, and even if it were possible to devise such a law, shortcomings in administration would undoubtedly bring about inequalities. Consequently two fairly comprehensive state taxes such as we propose, one on property and one on income, offer a prospect for an improved distribution, for the simple reason that one would supplement the other. Within limits it is true that where the property tax is strong the income tax is weak and where the income tax presses lightly the property tax bears heavily.

Assuming that the same amount of revenue is to be raised as before it seems to us clear that the addition of an income tax will result in a more equitable and just tax system. The charge that to levy a tax first on the property and then on the income from that property results in double taxation appears to us to overlook the fact that we have two comprehen-

hensive systems, two standards for gauging taxpaying ability. Part of the money which must be had is collected by reference to the property which a man owns. The remainder is raised by reference to the income a man receives. If a man has both property and income he pays more than the man who has only one or the other, and this in our opinion is not unjust. It is directly in line with the conviction shared by practically all students of the subject, the "funded" and "unfunded" incomes reflect different degrees of economic strength.

It is undoubtedly true that, on the whole, property forms a more satisfactory single basis for taxation in a state like New Mexico than does income, because of the fact that the economic strength of the state is still largely implicit, lying in the womb of the future, rather than fully developed, yielding in the form of present income a full normal return on a capital value. The economically strong members of the community are primarily those who own titles to resources which are appreciating in value and which they expect to be able to sell or develop on a basis which will yield a large return in proportion to their investment. In many cases these men are receiving very small present returns. They are "land-poor" or they are operating mines on a scale which is small in proportion to the total resources of the deposit, but which nevertheless yields sufficient revenue to pay their carrying charges on the whole project. They are willing to accept small present incomes in the hope of receiving large returns some time in the future. Taxation solely on the ground of present income would not result in a proper contribution from such persons. It is not a true measure of their economic strength. Such an income tax as we propose, however, levied at a light rate, the proceeds being utilized to reduce the present rates on property, would result in a slight reduction to such property owners and not in an increase of their total tax burden.

The reason for this net result lies in the fact that an income tax would reach certain tax paying ability which now is not tapped for state purposes at all. The income tax would be a personal tax levied on every individual residing in the state, who received an income large enough to make it worth while to attempt to reach him. We do not agree with the view that the tax should apply to the "renting laborer" who receives so small an income that it would cost more to collect a tax from him than the tax would produce. We can see no sound objection, however, to applying the tax to every person—whether he be laborer, investor, professional man or business man, when he does receive an income which supports him well above the minimum of subsistence.

However, it is not merely the income from personal ser-

vices accruing to propertyless residents which now escapes the net. There is also the income from intangible personal property, generally, but particularly from the credits which represent investments outside the state. The assessment rolls show that such property has almost entirely disappeared as a taxable subject in spite of the fact that it has undoubtedly been steadily increasing in value and amount. In 1919, the amount of money, notes and credits assessed was only \$992,808; or about one-third of one per cent of the assessed wealth of the state. Conservative judges estimate that there is at least \$40,000,000 of such property which should have been returned. The commission realizes that this is not a large problem quantitatively but it is convinced, nevertheless, that an income tax on the returns from such investments will tend to bring about a closer approach to equity than now exists.

A final consideration is that which relates to the problem of good will. As the tax system of the state now stands, practically nothing except the values of tangible property are brought on the assessment roll, except insofar as the state tax commission takes good will and earning power into account in arriving at the assessment of such taxpayers as the railroads. The taxation of mercantile business on the basis of the average value of the stock-in-trade certainly gives no very accurate picture of the relative tax paying ability of different businesses. The condition of a tax upon the net results of the business operations, in-so-far as they are distributed as dividends, or made available as distributive shares to partners or sole proprietors certainly would result in a more equitable apportionment of the tax burden upon such classes of business.

These are, in brief, the considerations which have persuaded us that the establishment of a personal income tax is desirable from the point of view of bringing about a more scientific and equitable tax system for the state.

The Present Statute. The legislature at its last regular session, 1919, enacted an income tax law which still remains on the statute books. (1) It imposes a progressive rate (one-half to three per cent) upon the incomes of individuals and of certain businesses with offsets in the individual returns for taxes paid by corporations and partnerships subject to the tax and for personal property taxes paid during the year. This act appears to have been drawn in haste and with but little regard for either its constitutionality or its administrative feasibility. As a consequence Governor Larrazolo, in his proclamation of February 3, 1920, calling a special session of

(1) 1919 Session Laws of New Mexico, Chap. 123, Approved March 17, 1919.

the legislature, included among the subjects which required immediate attention the amendment of this income tax law "in such manner as to make such law non-discriminative, and otherwise to make it conformable to the constitutional limitations on that subject, or else to take such other legislative action in regard thereto as to the legislature may appear to be wise and proper."

When the special session met a bill was introduced substituting a much more elaborate income tax. (1) It provided that a higher progressive rate (one to five per cent) should be applied to all income of residents, both individual and corporations, and to the incomes of no-residents "derived from property located or business transacted within the state." (2) In general the bill followed the lines of the Wisconsin income tax law. The legislature, however, after passing the bill repealing the law already on the statute books, declined to pass the bill above described and assigned to this commission, which it proceeded to establish, the duty "to inquire into and make recommendations as to the policy or necessity of the adoption of appropriate legislation of a system of taxation of incomes and the relation of such a system of taxation to the present system of taxation of property * * * * " (3). The Governor then approved the bill creating this commission but vetoed the bill repealing the first income tax law. As a consequence that tax still remains technically valid and this commission stands charged with the somewhat anomalous duty of passing upon the wisdom of the adoption of a tax which has already been adopted and is supposed to be in force.

It has been hoped that some good might emerge from the veto of the Governor which resulted in retaining the income tax law of 1919 on the statute book. It had been thought that a court decision might be obtained on some of the puzzling constitutional questions concerning the right of the state to impose a progressive income tax and to grant a personal exemption not included in the specific list embodied in the state constitution. However, the act was so universally disregarded it has become a dead letter. The conviction that it is unconstitutional is so widespread that practically no one has filed the return required under penalty of fine and imprisonment, and not one penny has been paid into the state treasury under the provisions of the law. The state treasurer, who is charged with the administration of the law, did not at first issue the

(1) Fourth Legislature, State of New Mexico, Special Session, Bill No. 10.

(2) *Ibid.*, Secs. 3, 4.

(3) Fourth State Legislature, Special Session, 1920.

blanks which the law directs that he shall furnish to the taxpayers, giving as his explanation the statement that the only provision for funds to pay for such forms is from the proceeds of the tax which he apparently felt it should be folly to attempt to enforce.

Consequently this commission must undertake the formulation of its recommendations regarding the income tax without the advantage of a court decision as to what may constitutionally be adopted. Moreover, any income tax which it recommends must begin its life under the disadvantage of this precedent of the unenforced and universally ignored income tax law of 1919. We cannot over-emphasize our conviction that procedure such as this described is utterly demoralizing. If we are to have respect for law we should keep our statutes clear of ridiculous or unenforceable legislation. This is particularly true of tax legislation.

Constitutionality of Proposed Tax. The constitutional questions involved in the taxation of incomes in New Mexico appear to center around five points as follows:

1. The constitutionality of a tax on the income of a foreign corporation apportioned to the state by some more or less arbitrary method;
2. The constitutionality of a progressive rate;
3. The constitutionality of a tax on incomes at a flat rate;
4. The constitutionality of a tax on incomes of natural persons, excluding corporations as such, and
5. The constitutionality of a personal exemption.

The difficulties involved in the first and second points enumerated above are entirely avoided as a result of our decision to recommend merely a personal income tax levied at a flat rate. We were convinced on other than legal grounds that such an income tax is the type best fitted to the conditions present in this state. Consequently it is not necessary to discuss at length the constitutionality of a progressive income tax at this time. It may be said, however, that in the testimony given in the hearings, it was pointed out that in no state having a constitution similar to ours has a progressive income tax been upheld. (1) And in the case of one state, Pennsylvania, a progressive inheritance tax was declared in conflict with constitutional provisions similar to ours. (2) We are not con-

(1) In Missouri where the unconstitutional provisions are similar although not identical with ours, the income tax carries a flat, not a progressive rate. Income Tax Law Act of April 12, 1917, as amended May 6, 1919, Secs. 1, 7.

(2) Testimony of Mr. Hawkins, Report of Hearings, pp. 177-190.

vinced that a constitutional amendment would be necessary to the validity of a progressive income tax in this state, but the point certainly appears to be open to question.

However, even those who most vigorously assail the constitutionality of progressive income taxation assert with confidence that, in their opinion, the constitution of this state permits the levy of an income tax at a flat rate. (1)

The section of the constitution which is pertinent reads as follows:

“Article VIII. Section 1.—Equality and uniformity. Taxes levied upon tangible property shall be in proportion to the value thereof, and taxes shall be equal and uniform upon subjects of taxation of the same class.”

It was urged by one witness (Mr. W. A. Hawkins) that income must be classified as tangible property and consequently may be taxed at the will of the legislature subject to the double restriction that the tax must be “in proportion to the value of the income” and “equal and uniform.” The view more widely held, however, was that income could not be properly considered to be property at all. It then formed a class or classes of taxable subjects, subject to taxation equal and uniform within the limits of the class or classes. All in all a law imposing a tax on incomes at a flat rate appears to be reasonably safe from attack on constitutional grounds.

The further question arises, however, as to whether the legislature may levy a tax on the incomes of natural persons and not upon the incomes of corporations which are artificial persons in contemplation of the law. We are inclined to believe that a classification which would exclude corporations but tax their dividends received by resident stockholders would be upheld by the courts. Certainly corporations are frequently classified for special treatment by direct inclusive definition. This has recently been done in this very state for the purpose of imposing a special tax. (2) The classification of corporations by exclusion would certainly seem to be an equally justifiable procedure.

The final point, the constitutionality of the personal exemption, a feature common to all income tax laws, is a very interesting one. It, again, depends to some extent for its solution upon whether or not income is to be defined as property. In our opinion income is not correctly classified as property.

(1) Apparently these persons do not consider it necessary that this rate be the same as that imposed on property generally.

(2) The State Franchise Tax, Session Laws of New Mexico, 1919, Chap. 100, Approved March 17, 1919.

In contrast with the conception of property as the sum total of one's possessions at a given point of time, the economic concept of income is one of flow and accretion during a given period fixed by two points of time. We believe that this is the view which will prevail in the courts.

The New Mexico constitution lists certain prescribed exemptions and specifies one permissive exemption, the extension of which is left to the discretion of the legislature. There is no blanket prohibition of other exemptions as is common in state constitutions. The question is whether these prescribed and permissive exemptions imply a limitation upon the power of the legislature to grant further exemptions. The sections themselves are these:

“Article VIII.—Taxation and Revenue.—Section 3., Exemptions. The property of the United States, the State and all counties, towns and cities and school districts, and other municipal corporations, public libraries, community ditches, and all laterals thereof, all church property, all property used for educational or charitable purposes, all cemeteries not used or held for private or corporate profit, and all bonds of the state of New Mexico, and of the counties, municipalities and districts thereof shall be exempt from taxation. * * * * *

“Section 5. Exemptions to head of family. The legislature may exempt from taxation property of each head of a family to the amount of two hundred dollars.”

If income were thrown into the category of property, Section 5 would clearly make it impossible to extend a personal exemption of \$200 to a head of a family subject to the income tax. Moreover, a law which calls an item a deduction rather than an exemption would appear to us to resort to an obvious subterfuge. This item is termed an exemption in the federal income tax law, and in such laws generally, even if one considers it a deduction for living expenses he is confronted with the necessity of declaring that living expenses shall be deducted when they fall below a specified amount and not deductible above that amount, which raises another legal difficulty.

However, as stated above, we are inclined to the opinion that income will not be defined as property. In this case the constitutional difficulty vanishes into thin air. We are strengthened in this view by the decision of the Missouri courts upholding the income tax law of that state. (1) The constitu-

(1) *Ludlow Saylor Wire Co. v. Wollbrinck*, 205 S. W. Supreme Court of Missouri, June 28, 1918.

tional provisions of Missouri are more narrow with respect to restrictions on exemptions than the corresponding provisions in this state. Section 6 of Article X of the Missouri constitution corresponds to section 3 of Article VIII of our constitution quoted above. It specifies certain property which shall be exempt from taxation. Section 6 is followed by this statement:

“Sec. 7. All laws exempting property from taxation, other than the property above enumerated, shall be void.”

In the face of this flat prohibition of **property** exemptions, the Missouri court declared constitutional an income tax law carrying exemptions of \$1000 to single persons, \$2000 to heads of families, plus \$200 for each dependent. The language of the Missouri statute as it now stands uses the term exemptions. It reads “ * * * there shall be allowed as an exemption in the nature of a deduction from the amount of net income * * * ” the specified sums. (1)

Scope of Proposed Tax. We recommend that the income tax be made a strictly personal tax, applying to the net income of every person within the state. We suggest that at the present time no effort be made to tax business as such by means of a state income tax. The personal income tax will reach the profits from business as they are made available to the owners resident within the state by the device of including in the individual returns (1) dividends received from all corporations both foreign and domestic, (2) distributive shares of partnership and (3) the total net income of individual enterprises.

Reasons for Restricting Tax to Personal Incomes. It would be quite proper, were it deemed desirable, to impose both a personal income tax and a business income tax—the personal income tax upon the incomes of all persons resident within this state regardless of the source of that income and the business tax upon the net income arising from business within this state regardless of the residence of the owners of the business. Our recommendation of a personal income tax is not to be construed as an indication that in principle we are opposed to a business income tax. The situation, indeed, would, we think, probably be somewhat improved from the standpoint of equity if such a tax were imposed by this and every other state. There is no sound theoretical objection to business taxes superimposed upon personal income taxes even with-

(1) Missouri Income Tax Law, Act of April 12, 1917, as amended May 6, 1919, Sec. 6.

out deductions for dividends or profits in the personal returns. However, we are convinced that the personal income tax should be established irrespective of the decision with regard to the business income tax, and we have concluded that it is certainly not necessary and probably not wise to urge both at this time.

The reasons lying back of the conclusion are chiefly practical ones.

(1) In the absence of such business income taxes in neighboring states it is possible that certain businesses in this state would find themselves operating at a competitive disadvantage should such a tax be imposed here.

(2) The addition of a special state levy on business incomes to the existing property taxes, the federal income tax, the federal excess profits tax (in the case of corporations), the proposed new personal income tax on the profits when made available to individuals and the various special taxes which business must pay would be justified, we believe, only in a case of extreme necessity. There exists no compelling necessity from the point of view of revenue for the establishment of a business income tax. The adoption of our other suggestions will, we believe, result in the production of all the money necessary for present needs.

(3) The establishment of a business tax on incomes should be accompanied, we are convinced, by the abolition of all other taxes on business, except the tax on real estate, and we have not yet reached a stage of development in this state where such action would be justified.

(4) As has been explained, the income from business received by residents of New Mexico—total profits in the case of individuals, distributive shares of profits in the case of partners and dividends in the case of owners of stock in corporations (1) will be reached under the proposed personal income tax. It is evident from the testimony given at the hearings that the people of the state are at present not prepared to accept with good grace a tax on business as such, unaccompanied by arrangements for offsets because of property taxes, including taxes on real estate, and income taxes paid by the businesses. Such offsets, even if they were justified would in actual operation involve complexities which would make the administration of the tax system very difficult.

(5) Under the somewhat primitive economic conditions

(1) Profits made by individuals through sales of stock at prices higher than those at which they were acquired would become taxable also of course, and any undistributed profit of the corporations would tend to be reflected in the market standing of these stocks.

which still obtain in this state, it is our belief that the tax paying ability of most businesses can be fairly well measured by a proper valuation of the property used. This is certainly true of the railroads, the mines, the farms and the cattle and sheep ranches. It is less true of mercantile businesses and agencies. The addition of the personal income tax on profits will go far to eliminate the inequality which may here exist and result in an equalization of the burden upon those interested in business which will be on the whole satisfactory.

(6) The consideration which influences us perhaps more than any other is a reluctance to ask unreasonable things of the administration. Any attempts to reach the portion of the income of interstate businesses which might legally be made subject to a business income tax imposed by the State of New Mexico would encounter serious practical difficulties. The methods of allocating incomes used by certain states are complicated, arbitrary and vexatious in operation.

Some conception of the difficulties involved may be gained by reading the following excerpt from the New York statute prescribing the basis of apportionment used in that state:

Sec. 214. Computation of Tax.—If the entire business of such corporation be not transacted within the state, the tax imposed by this article shall be based upon a proportion of such entire net income, to be determined in accordance with the following rules: The proportion of the entire net income of the corporation upon which the tax under this article shall be based, shall be such proportion of the entire net income as the aggregate of

1. The average monthly value of the real property and the tangible personal property within the state.

2. The average monthly value of bills and accounts receivable arising from (a) personal property sold by the corporation for merchandise manufactured by it within this state; (b) personal property owned by the corporation and not manufactured by it within this state, but sold by it or its agents and located within the state at the time of the receipt of the order; (c) the purchase or sale of, or trading in, goods, wares or merchandise not located at any place at which the corporation conducted a permanent or continuous business without the state, and where the bills and accounts receivable arose from orders received or accepted by any officer or agent or at any place of business, in this state; and (d) services performed by any officer, agent or representative of the corporation connected with, sent from, or reporting, either directly

or indirectly, to any officer located in this state or at any office located, owned, rented or occupied in this state.

3. The proportion of the average values of the stocks of other corporations owned by the corporation, allocated to the state as provided by this section, but not exceeding ten per centum of the real and tangible personal property segregated to this state under this article, bears to the aggregate of

4. The average monthly value of all the real property and tangible personal property of the corporation, wherever located.

5. The average total monthly value for the fiscal or calendar year of bills and accounts receivable arising from (a) personal property sold by the corporation from merchandise manufactured by it within and without this state; and (b) the purchase, or sale of, or trading in, personal property or from services performed by the corporation, its officers or agents, excluding those arising in any way from advances or loans.

6. The average total value of stocks of other corporations owned by the corporation, but not exceeding ten per centum of the aggregate real and tangible personal property set up in this report (1)

We hesitate to ask the State Tax Commission to undertake the administration of a business income tax, which would involve intricate problems of apportionment requiring for their solution some such complicated provision as that quoted above. Moreover, it must be remembered that in this state the peculiarly difficult problems of arriving at the net income of the mines would have to be met, problems which would certainly stretch to the breaking point the resources of the commission, particularly if some basis for calculating depletion had to be adopted different from that used in the federal returns. Finally when we consider the fact that we are in this report calling upon the commission to extent its functions radically in several other directions, we are forced to the conclusion the relatively slight advantage which might be expected to accrue from the establishment of a business income tax do not justify us in recommending it at the present time.

Personal Exemptions. We recommend that the personal exemptions be made—precisely the same as those prescribed under the federal income tax. The provisions of the federal revenue act of 1918 allow:

(1) Laws of 1917 (New York), Chap. 726, Sec. 214, as amended by Laws of 1920, Chap. 640.

Sec. 216. (c) In the case of a single person, a personal exemption of \$1000, or in the case of the head of a family or a married person living with husband or wife a personal exemption of \$2000 * * * * \$200 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer, if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective.

One great advantage of adopting the federal exemptions is an administrative one. The state tax is thus made practically co-extensive with the federal income tax which gives an effective check upon evasion. (Page 52.)

Moreover, we believe that the federal exemptions are essentially reasonable and just. It has been urged upon us that the personal exemption should be made as low as \$500, for a single man and \$1000 for a married man. We are of the opinion, however, that these figures are below a decent subsistence level in this era of high prices. In Great Britain where a personal exemption of £120 obtains, the Royal Commission on the income tax has recently recommended a substantial increase and state income taxes generally in this country grant more liberal exemptions than the figures suggested to us.

It appears to us to be a mistake to assume that because a "renting laborer" pays no direct tax he bears no tax burden. In his rent must be included the equivalent of the tax upon his house and part of the family taxes paid by business men is undoubtedly shifted on to purchasers, of whom "renting laborers" form a part.

We are disposed to favor the course of frankly labeling the allowances as **exemptions**. That is what they are. They are called exemptions in the Missouri law which has been upheld under constitutional provisions more strict than those which appear in the constitution of New Mexico. We are unable to see how the case for their constitutionality would be improved by calling them deductions.

Taxable Income. Income for purposes of the proposed state tax should approximate as nearly as possible the definition of income as used in the federal statute. As will appear later, we propose to depend upon the federal administration to as great an extent as possible and it would be a material advantage both to the state officials and to the individual tax payers to be able to make an identical return to both national and state governments, including the same items as income and subtracting the same items as deductions. Some items must

necessarily receive different treatment from that given under the federal law and regulations and these can be included, we believe, in a short supplementary schedule attached to a duplicate of the federal return.

The items which demand special attention in adapting the federal definition of taxable income to the purposes of a state income tax include the following:

(1) Income from personal service. (a) The state must allow the deduction of federal salaries which are, with certain exceptions, taxed under the federal law. (b) The state should tax the salaries of its own public servants except insofar as they are safeguarded by provisions of the state constitution.

(2) Income from business, profits from sales. The question of the date from which property gains shall be measured and as to which depletion and depreciation deductions shall be calculated is discussed in the following section. (Page 47.) It is obviously desirable to adopt the federal date of March 1, 1913, for this would eliminate a great deal of labor for both the state and the taxpayers and would make unnecessary any modifications in the item of income from business as reported for federal purposes.

(3) Income from interest. (a) Interest on certain federal bonds which is subject to the federal surtaxes would necessarily be deducted for purposes of the state tax. (b) Interest on the securities of other states than New Mexico and subdivisions thereof should be added. (c) Interest on obligations of this state and its political subdivisions should be included insofar as it is possible to do so under their terms of issue.

(4) Income from dividends, dividends from all corporations, domestic and foreign should be included in net income subject to the full rate. The federal law exempts from the normal rate dividends from corporations subject to the federal income tax. The federal practice with regard to stock dividends should be followed.

(5) Deductions for interest paid. Interest paid on money borrowed to foreclose or carry tax-exempt securities is not deductible under the federal statute. This interest limitation is essentially sound. The federal figures cannot be adopted for state purposes without modification, however, because the securities exempt from the federal tax are not the same in all cases as the securities which would be exempt under the proposed state law. The exempt securities under the proposed law are so restricted, however, as to make the problem quantitatively insignificant and probably the wisest course of action would be to follow the New York precedent and permit the full deduction of all interest paid.

(6) Deductions for taxes. All taxes except federal in-

come taxes should be deductible but no taxes should be used as offsets. This procedure will occasion no modification in the federal return except that the state income tax itself, if it has been deducted, will not be re-introduced. The refusal to permit the deduction of the federal income tax has a precedent in the New York practice. After all, what the state wishes to determine as a standard is a person's income before that income has been reduced by the federal government taking its portion.

Date From Which Gains Shall Be Measured. In this country it is customary to define income so as to include gains and profits arising from the sale of property and to permit the deduction of losses realized on similar transactions. March 1, 1913, has been specified in the federal statute as the date from which such gains and losses shall be measured in cases where the property was acquired before that date. This date becomes significant also in connection with the determination of deductions for depletion and depreciation in certain cases. March 1, 1913, marks the time when the federal government acquired the power, through the ratification of the 16th amendment, to impose an income tax without apportionment.

It seems to us very desirable from the point of view of administrative simplicity to adopt for the purposes of the state income tax the same date as that used by the federal government. In fact unless this date can be selected, we are inclined to believe that the complications of a state income tax would be so great as to make its establishment a matter of doubtful advisability at this juncture.

The legal status of a provision which would tax gains as measured from an arbitrary date such as that suggested appears not to be definitely established. Most of the state income tax laws now in force specify the first day of the year in which the income tax was established as the point of departure in measuring gain. The Wisconsin law of 1911 (1), as originally passed, contained the following provisions:

Section 1087 M-1. There shall be assessed, levied, collected and paid a tax on incomes * * * * *

Section 1087 M-2 (2) The term "income" as used in this act shall include:

* * * * * * * * * *

(d) All profits derived from the purchase and sale of any property or other valuables acquired within three years previous or from any business whatever."

(1) Wisconsin Session Laws, 1911, Chap. 658.

The Supreme court of Wisconsin discussed this section on January 9, 1912, in the following summary manner. (*State ex rel. Bohns v. Frear et al*, 134 N. W. p. 691):

"One further consideration we overrule here without comment, for the reason that it seems very unsubstantial, namely, the objection that the law is retroactive and void, **** because it includes profits derived from the sale of property purchased at any time within three years previously."

In 1913 (Wisconsin session laws of 1913, p. 720, See. 1087 M-2) the following clause was substituted for that quoted above:

"All profits derived from the transaction of business or from the sale of real estate or other capital assets; provided that of the profits derived from the sale of real estate or other capital assets acquired previous to January 1, 1911, only such proportion shall be taxable as the time between January 1, 1911, and the date of the sale bears to the entire time between the date of acquisition and the date of the sale."

The Wisconsin tax was a progressive one, and to insure its validity it was deemed necessary to secure an amendment to Sec. 1, Art. VIII of the constitution. Property may be taxed only under the uniformity rule. The question of the constitutionality of the rule of apportionment prescribed in the 1913 amendment just quoted was assumed by the supreme court of the State *ex rel Bundy v. Nygaard* (163 Wis. 307) decided May 23, 1916. This decision does not exactly meet the constitutional question as it would arise in this state, because this state had power before March 1, 1913, to levy a tax on incomes and the proposed tax in this state is to be derived at a uniform, not a progressive rate. The court said in part:

"When the income tax law was first passed in 1911, the stock in question was sold by the plaintiff and was then of a value of \$214,000. This fact is admitted to be established. In the judgment of the court all of this was capital, or, in other words property; its status was fixed; no part of it could be made into income by legislative enactment. It was subject to taxation as property under the uniformity rule but not otherwise. It is not deemed necessary to go further in the present case." The Wisconsin legislature then passed the present rule that "the fair market value of such property as of January 1, 1911, shall be the basis for determining such gain or loss." (Wisconsin Session Laws of 1917, Chap. 248.)

Under the federal income tax procedure increases in the value of capital assets are deemed to become taxable only upon realization. They are taxed in the year when the transaction is closed and the profit established, but since the federal government had no power to tax incomes without apportionment

prior to March 1, 1913, any value which can be shown to have existed on that date is not taxable as increase. This state would not operate under that limitation. Even before March 1, 1913, it had power to tax incomes. Following the practice of the federal income tax it would appear possible for it to tax in the current year all profits realized in that year as measured by reference to original cost even though purchased before March 1, 1913. It would seem to be possible if the legislature should deem it advisable for administrative reasons to place the datum line at some definite point in the case of assets purchased a long time ago. As has been pointed out the question appears not to have been definitely settled, but we are of the opinion that the legislature would be quite justified in selecting the date of March 1, 1913, for an income tax in this state and we believe that the courts would sustain the selection.

The question of equity involved is not a serious one. In increasing or decreasing income tax rates or in abolishing such taxes, it is customary to disregard entirely this issue of equity. It is true that under our proposed law a man who bought a lot for \$1000 on March 1, 1913, and sold it on December 31, 1919, for \$2000 would pay no income tax, whereas if he sold it on January 1, 1920, he would be assessed on a profit of \$1000. But the same thing would be true of a lawyer who received \$1000 fee on January 1st for services performed during the preceding seven years provided he did not keep books on the accrual basis. At the hearings before the tax commission the question was put to large taxpayers as to whether they would have any objection to the use of March 1, 1913, as a datum line and all the replies were in the negative. The administrative advantages of selecting that date would be so overwhelmingly great that we are constrained to urge its adoption.

Rates of Proposed Tax. We are not opposed to the principle of progression in an income tax. Our recommendation in favor of a flat rate is not the result of any aversion to that principle. It is rather the logical outcome of a set of special circumstances which exists in this state at the present time.

In the first place the proposed income tax will be in addition to the federal income tax which itself embodies the principle of progression in a form more extreme than has ever been attempted in the history of public finance. The federal rates even with the four percent reduction in the normal tax established in 1919, rise to a maximum of 73 percent upon the largest increment of income. Consequently the combination of a low flat state rate with this highly progressive national rate will still result in a very sharp discrimination in favor of the recipient of small incomes. If the federal government should

reduce its progressive scale the question might then be raised as to whether the state rate should not be graduated. But we are of the opinion that so long as the federal rates remain at the present level, the state is precluded from establishing a heavily progressive state income tax. The soundest course at the present juncture is to levy only a low flat rate. A flat rate, moreover, is simpler than a progressive rate occasioning less labor, both for the taxpayer and the administration.

Again, the rate we propose it so small as to make, after all, the whole question of progression negligible in importance.

Finally, there exists a question as to the legal status of a progressive tax in this state. We do not urge this legal point as a conclusive argument against the adoption of a progressive rate. We consider the other points enumerated above sufficient to establish the case in favor of a flat rate.

The rate imposed should, we believe, be very low. It would not be safe in our opinion to make the rate larger than four per cent. During the first year of its establishment the rate should not be more than two per cent. On the whole, considering the financial necessities of the state, the probable yield of the tax, the effect upon the administrative task and the interests of the taxpayers of the state as a whole, we have concluded that the rate of two per cent would best meet the situation.

Probable Yield of Proposed Tax. In Appendix II will be found detailed statistics regarding the taxable income of the state as reported for purposes of the federal income tax.

Using those figures as a basis and assuming that the state administration will be neither more or less efficient than the federal, we reach the conclusion that a two per cent flat rate would have yielded the state about \$265,376 in 1917. Detailed figures for the later years are not yet available but on the basis of the general totals for 1918 and the treasury estimates for 1919, the yield in 1918 would have been about 20 per cent greater and in 1919 about 46 per cent greater than in 1917.

On the whole we are inclined to believe that about \$150,000 could be expected for each one per cent in the rate of a uniform state tax on the personal incomes arising in 1920. This would make the yield of our proposed two per cent tax approximately \$300,000.

Disposition of The Yield. The disposition of the yield of a state income tax offers a problem which is met in different ways in different states according to the local conditions there existing. In those states where the need for additional local revenue is very pressing ,and where the localities have been asked to surrender certain taxes as a condition to the estab-

lishment of an income tax, there has usually been a direct apportionment of a share of the state receipts to the local authorities. In this state our recommendation of the exemption of personal property will involve no considerable sacrifices to the counties, and our recommendation that no offsets be permitted for property taxes paid safeguards them from loss on that score. On the whole it seems to us the most simple and sensible course to dedicate the yield of the income tax to the state school fund. The yield will certainly not be more than sufficient to nourish the income tax the tax on property can be supplied from the property tax. This fund should be distributed to the localities on some equitable basis and insofar as it is nourished by the income tax the tax on property can be reduced. We recommend this disposition of the yield. (For further discussion as to this matter, see section "Public, Elementary and High Schools.)

Administration. The administration of the state income tax should be vested in the state tax commission strengthened and supplied with assistance in accordance with the recommendations set forth in detail in this report. (Page 29.)

The state income tax law of 1919, which is still in force, names the state treasurer as the official who shall administer the law. The income tax bill introduced at the special session does the same. This would in our opinion be a mistake. Inquiries made by the commission at the hearings elicited no reasons which seemed sound and sufficient for placing the administration in the hands of the treasurer. The collections should of course, be paid into the state treasury, but the fact that property taxes are not actually collected by the state tax commission does not preclude the general administration of the tax being placed in their hands. It is true that in the case of the income tax the assessment and collection can be conveniently made simultaneous, but it is our belief that it would be better to empower the proposed district assessors to accept checks made out to the order of the state treasurer, than to authorize the state treasurer to build up a separate force of income tax assessors and auditors to perform the assessment functions. Such functions properly belong to the taxing authority, the tax commission and, contrary to the opinion expressed by some of the witnesses, such functions in the case of an income tax are very material ones. An examination of the federal law, forms and regulations, should be sufficient to demonstrate this point. However, this administrative task could be performed by the tax commission, as reorganized in accordance with our suggestions, at very slight expense.

The administration should depend as fully as possible upon the federal administration. The tax is a light one whose yield

will not be large. Unless there existed the possibility of practically adopting the federal return for state purposes, we should feel that the administrative difficulties would preclude the establishment of a state income tax at all at this time. We have framed our suggestions regarding the scope and character of the tax so as to reduce to a minimum the adjustments which would have to be made in the federal personal return on Form 1040 in order to fit it for use as a state return and, as has been pointed out above, we believe that the adaptation can be made through use of a short schedule of scarcely a half-dozen items appended to a duplicate of the federal returns.

Lists of all persons submitting an income tax return to the national government are posted in public places under the provisions of the Federal Revenue Act of 1918 and officers of a state imposing a general income tax may secure from the Bureau of Internal Revenue information concerning the assessments of corporations which would constitute a valuable check both upon individual returns and property assessments. Taxpayers should be compelled to give notice to the state in case additional taxes are assessed as a result of the government check on returns. This would give the state the advantage of the expensive federal auditing machinery.

Above all, we feel that the state income tax must be kept simple. It must be prevented from becoming an irritation and nuisance to those who are subject to its provisions. The federal income tax is itself maddeningly complex and to add materially to its complications would be intolerable. We believe that if our suggestions are followed the taxpayer will have no just cause for complaint in this direction. It will only be necessary for him to copy the figures from his federal return to a state blank, answer the few specific simple questions appended and mail or bring his return and check to the district assessor or the state tax commission.

Exemption of Intangible Personal Property. The establishment of a personal income tax such as that we propose should be accompanied by the passage of a measure entirely exempting intangible personal property such as stocks and bonds, mortgages and credits, notes, bills, etc., from taxation on the ad valorem basis. In the presence of an income tax the owner of such intangibles would contribute to the support of the state, while to continue to attempt to list intangibles and subject them to the regular rate would not only be unsuccessful but would imperil the success of the proposed new income tax itself.

(1) As has been pointed out above (1) the attempt to

(1) Because of special circumstances the present method of taxing bank stocks would have to be continued.

list property of this class has been as lamentable a failure in this state as it has been elsewhere. In 1917 when residents of New Mexico reported to the state \$1,328,897 as the total market value of all money, notes and credits, they reported to the federal government \$475,110 in interest and \$2,981,064 in dividends (1). Moreover there is no hope of reaching such property on the ad valorem basis. Any attempt to assess it at the same rate as other property is, in our opinion, foredoomed to fail. In some states the taxation of such property at a substantially lower rate than property in general, has succeeded in bringing a considerable portion of it to light but the plan of classification involved in this proposal appears to us not to be a wise one to adopt in the state. While the yield of the income tax together with the increased revenues resulting from our other suggestions will, we hope, make possible a considerable decrease in the rate of the tax on property there is no possibility that the decrease will be great enough to attract the listing of the intangibles.

(2) To neglect to exempt intangibles would seriously endanger the success of the income tax. A discrepancy between the income return of interest received and the property return of intangibles owned would give ground for inquiries. Since the report of incomes received is almost as completely without check as the report of property owned, we believe the net result would be an evasion of the income tax as complete as the present evasion of the intangible personal property tax.

(3) The tax on tangible property in this state has come to be an impersonal tax, which is imposed upon the total value of the property without regard to individual interests in that property. No deduction is allowed because of debts owed by the owner of the tangible property. Such offsets may be made only against intangible assets. Consequently insofar as these credits are secured by tangible property such as real estate, livestock and other chattels within the state their exemption would, on the whole, be desirable rather than undesirable.

(4) The income from these intangibles would, of course, be subject to the income tax at the regular rates.

While we have no serious doubt about the constitutional right of the legislature to exempt intangibles, we would suggest that in order to isolate the risks, the exemption be established by means of an act separate from the proposed income tax act.

Repeal of State Income Tax Law of 1919. We recommend the immediate repeal of the state income tax law passed in 1919. This should be done irrespective of the decision of the legislature regarding our proposal for the establishment of a new personal income tax law.

(1) Statistics of Income, 1917 (Washington, 1919) p. 38.

CHAPTER IV.

MINE TAXATION.

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CHAPTER IV.

MINE TAXATION.

General Policy. Before any conclusion can be reached as to what method of taxing mines is desirable, it is necessary to agree definitely upon the end to be sought. It is futile to attempt to find an **equitable** method until there is agreement as to what is meant by equity. When one comes to consider this concept of equity as used in discussions of this type, one soon discovers that it means all things to all men. It is not a pure, abstract and absolute standard by which a proposal can be tested and assayed. With each individual it is colored by his general philosophy and, sadly enough, by his special interests. So, too, with a state the concept of equity is a composite product, profoundly affected by such factors as the general intelligence, the moral standards and the economic interests of the people of the state. Thus what seems equitable in one state is sometimes denounced as grossly inequitable in another where different conditions prevail and two systems, each of which seems eminently fair in itself, may clash violently when there is a necessity for interaction between them. We deem it our duty to attempt to appraise the various proposals for taxing mines from the point of view of the state as a whole, taking into account its less immediate interests as well as those directly involved, and also remembering the necessity of considering the state as only one of the group of similar commonwealths.

Viewed from this standpoint there appear to be three distinct but mutually inconsistent policies which are accepted in different communities as equitable and fair solutions of the mine tax problem. They are:

1. The policy of **susidization**, or the favorable treatment of mining as compared with other economic interests in the community;
2. The policy of **penalization**, or the comparatively unfavorable treatment of mines, and
3. The policy of **equalization**, or the attempt to place mines on precisely the same plane as every other interest.

It then becomes our task to form a judgment as to which of these policies is most equitable under the conditions obtaining in this state. We realize that this involves an interpretation of the sentiment and the interests of the people of the state but we believe that, in spite of the possibilities of error in making such a decision, the answer to the problem is unmistakably clear.

The Policy of Subsidization. The policy of subsidization might conceivably be the part of wisdom under such conditions as the following:

- (a) If immediate development were highly desirable for some reason, as for example, extreme difficulty in financing the state at present from other sources than those of the mines which, without a subsidy, would not be developed until later. It is obvious that such a policy of living on the future would ordinarily prove ruinous. It is the policy of a desperate bankrupt.
- (b) If, because of some condition such as heavy subsidies offered by competing states, the only way in which development could be secured would be by similar subsidies. The desirability of the subsidy policy would even then be an open question.
- (c) If, because of some peculiar local condition, a larger preliminary expenditure had to be made or a larger initial risk assumed by a mining company contemplating development in this state than would be necessary in other states. However, the testimony at the hearings shows that no such condition exists in this state and, in any case, this is a situation which would probably be best met by a temporary subsidy restricted to new developments.

It is scarcely conceivable that any public spirited person should take the view that mining should be subsidized except on some such grounds as those above stated. It is absurd to pay some one to extract the natural resources of the state unless some benefit accrues to the state either directly or indirectly. There is no gain in merely stimulating activity by artificial methods or in getting rid of the deposits of coal and minerals.

It is sometimes forgotten, moreover, that the cost of a subsidy is borne by those who pay higher taxes than otherwise, assuming no shifting of the tax, of course. Lower taxes for the mines mean higher taxes for real estate, cattle, livestock and business generally. It is the owners of other property who pay the subsidy.

It is our impression that in the past the treatment accorded the mines has not been fully appreciated by the community in general and that the apparent concurrence in that principle is to be accounted for, not on the ground of general belief in the soundness of the policy, but rather on the grounds of misunderstanding and inertia. The fact that mines have

been subject to the same rate but on a different type of assessment base has undoubtedly tended to create an appearance of equality where none, except in the most unusual and extreme case, existed. At the present time it is our conviction that a policy of taxation which discriminates in favor of mines and against other economic interests in the community is not considered a fair and equitable policy.

The Policy of Penalization. It is perhaps unfair to the adherents of the policy described by this phrase to use the word **penalization**. What is meant, of course, is the policy which calls upon the mine for a special contribution, heavier in amount than that asked of other economic interests. To the believer in this policy this appears not to be a penalization but a fair exaction. He is convinced that mines are an eminently suitable subject for special taxation.

This policy is widely accepted by other nations. In this country there are few cases of its application, but the policy of Minnesota appears to be in conformity with it to some degree. In Great Britain, for example, evidences of it are to be found in the fact that no deductions are permitted for depletion in determining profits taxable under the income tax. The non-allowance of depletion has the effect of depressing the selling value of mining properties, which effect is depended upon to bring about a condition of equity. Subsequent purchasers (viz., those who have purchased after the imposition of the income tax,) allow for the income tax in fixing the sale price. Moreover, special levies, such as the Mineral Rights Duty and the Excess Mineral Rights Duty are imposed. In many other foreign countries similar practices prevail. The Mexican tonnage tax rests, for whatever justification it may have, upon this philosophy.

The reasoning lying back of the advocacy of the policy of penalization appears to be in part identical with that lying behind the single-tax proposal for the taxation of the economic rent of land. But it is broader than that. In addition to the idea that the value owes its existence in large measures to the community rather than to the efforts of the individual there is the further contention that in taxing mines, one taxes luck. The deposits are made as the result of natural forces and somebody finds them; if he makes a lucky find, he should share his riches with the community is the line of deduction. Coupled with this is the conventional single-tax argument regarding value of the mine due to favorable relative location with reference to markets which the owner did not create. If such a policy is accepted as equitable and desirable the special additional tax on the mines over and above the

ordinary taxes can probably best be imposed in the form of a royalty or production tax.

We are certain, however, that this policy of penalizing, attractive as it is in some of its aspects is not in accord with the principles now generally accepted in this state. There is no general concurrence in the philosophy of the Single Tax and there is no general conviction that there is other adequate ground for imposing a special burden on the mines.

The Policy of Equalization. What the people of New Mexico undoubtedly demand when they insist upon an "equitable" mine tax is the policy of placing the mining industry on precisely the same basis as the other economic interests of the state. The mine representatives themselves avow that they seek no preferential treatment, and defend the present method of taxing mines on the ground that it achieves equality of treatment. We believe, then, that we can assume practically united support for the view that we should seek a solution of the mine tax problem which will result in placing the mines in the same position as other interests, not in a better or a worse position. The real difficulties arise, of course, when one attempts to construct a practical plan for bringing this about but by clearly defining our object, the plan we suggest will at least be better understood and may be spared the criticism which springs from a misunderstanding of its aim and intention.

Present Practice. The state constitution declares that: "taxes levied upon tangible property shall be in proportion to the value thereof, and taxes shall be equal and uniform upon subjects of taxation of the same class." (Art. VIII, Sec. 1.)

The taxes levied on mines are certainly "taxes levied on tangible property." In order to meet the constitutional requirement that "taxes shall be equal and uniform upon subjects of the same class" it is apparent that taxation in practice must result in a burden on mine property which corresponds as closely as possible to the burdens imposed on other tangible property of the same value.

The general statute governing the imposition of taxes prescribes that "all property, real and personal, in this state, shall be subject to taxation" with certain specific constitutional and statutory exceptions (1). A statute passed in 1915 (2), however, established a special method of arriving at the

(1) Cap. CVII, 5427.

(2) Laws 1915, Chap. 55.

assessed value of productive mines and mineral lands. The method then established, as modified in 1919 (1) is the source of most of the criticism of mine taxation which has arisen in this state. The 1915 law defines "productive mines and mineral lands" to be "such as are mined in good faith for the mineral values thereof, with a fair degree of continuity throughout the year for which the same are assessed and on a scale reasonably commensurate with the opportunity and difficulty of disposing of the product thereof (2).

All other mines, mining claims and mineral lands, are classed as "non-productive mines and mineral lands" and their property is assessed by the local assessors. This property may consist of: (1) lands, surface and mineral rights owned in fee, (2) mineral rights and (3) improvements, mining plant, machinery, houses, etc.

The gist of the difference between the method of taxing a productive and a non-productive mine is found in Section 4 of the act which in the case of a productive mine substitutes for the assessor's valuation of mineral content (whether in lands owned in fee or in lands controlled through ownership of mineral rights) a figure known as the net output of the mine. This item is accepted in lieu of the assessor's valuation of all mineral values in such mine and in all lands contiguous "held or owned in the same right". As this is the precise objective of the public criticism now being so actively urged against the mine-tax law it is worth while to quote the entire section **verbatim**.

"Section 4. The State Tax Commission must at its meeting commencing on the first Monday of February, from such statement or other information as it can procure, determine the net value in dollars of the output of each of such mines during the previous calendar year, and before the first Monday of March, certify such valuation thereof to the board of county commissioners of the counties in which such mines are respectively situated, and the amount of said valuation shall be taken and considered and assessed in lieu of the assessable value of the mineral in such mine, mining claim or claims, or mineral land from which, or any portion of which, such minerals shall have been extracted and also in lieu of the mineral values in any and all other contiguous lands held or owned in the same right by the person or corporation so taxed for the future extension of such mining operation thereto,

(1) Laws 1919, Chap. 61.

(2) Laws 1915, Chap. 55, Sec. 1.

and such net value of said mineral so extracted shall be taxed at the same rate as other properties are taxed in the county and other subdivision in which such mine is situated and the taxes levied therein shall be considered as taxes upon such mineral values in said lands."

The item described as "the net value in dollars of the output" approximates what is known among metal miners as the smelter value". The definition of net value appears to have been copied from the Colorado statute but whereas the Colorado statute is restricted in application to metal mines our statute applies to coal mines as well and whereas the Colorado statute has a saving clause which substitutes one-fourth of the gross value for the net when the net is smaller than that amount, our statute uses the net alone no matter how small that net has been. Incidentally whatever virtue the Colorado precedent may have been supposed to possess has now disappeared, for even with their more stringent statute the conviction appears to be rapidly gaining ground in Colorado that their system operates as a subsidy to the mining interests and an official committee under the chairmanship of Mr. Celsus P. Link, of the Colorado State Tax Commission, is now considering the whole question of reform of their mine-tax law. The Colorado State Tax Commission has placed itself on record in favor of an ad valorem system of mine taxation in the following unequivocal language:

"This Commission has consistently and persistently urged that metalliferous mining property should be assessed at its actual value and not practically subsidized as at present under existing laws. It is interesting to note in this connection the movement which has recently been inaugurated by the Colorado State Association of County Commissioners to amend this law by an initiated measure if necessary."—Report Colorado State Tax Commission for year 1919, page 6.

The exact definition of "net value" of mineral output as given in our law is as follows:

"the difference between the actual cost of production, transportation, treatment, shipment and sale of same, including coke made from coal, and the amount realized if sold, or which could be realized at the time of making such report by the sale of the same, not to be less, however, in either event than the true market value thereof." (1)

(1) Laws 1915, Chap. 55.

The law also carefully provides for the exclusion of expenditures on capital account.

A temporary modification was made in 1919 (1) under the terms of which the net values for the years 1919 and 1920 were taken to be the "average net value in dollars of each producing mine . . . for the years 1916, 1917 and 1918." There were several provisos, the most important of which substituted the net value of the current year in case that item were larger than the three-year average.

It should be particularly noted that the limitations upon the extent to which a mine must be operated in order to classify it as a productive mine are couched in general terms so that it is quite possible for a mine to retain its classification as a productive mine even when it shows no "net value." In such a case its valuation of mineral value would be nil and it would plainly be to its advantage to continue to operate at a loss indefinitely so long as that loss is less than its taxes would be on the mineral content of the mine and of all its contiguous lands.

It is apparent from what has been said that the item of "net value" is a very different figure from the item of "net income" as used for purposes of the federal income tax, for in arriving at the latter figure full deductions are allowed for such items as depletion and plant depreciation. However, the mere fact that a mine may have a "net value of mineral output" and still have no "net income," paying a state tax when it has no federal income tax to pay is, in spite of the assertions of some of the witnesses representing the mines, no indication at all of the equity or inequity of the state mine tax. It is only when the results of the state mine tax are compared with the state tax on property in general that any conclusion can be drawn as to relative equality.

It is considered unnecessary to present statistics here showing the taxes paid by the mines before and after the passage of the 1915 law or showing the relative share of the state's tax burden borne now as formerly by the mines. Such figures appear to us to be entirely beside the main point and likely to divert attention from the real issue which, as we conceive it, is merely this: Is the present method of valuing mines the best practical way of arriving at "the value thereof" as prescribed in the state constitution, and does or can that method result in a tax which is "equal and uniform" as compared with the taxes levied on other classes of tangible property?

(1) Laws 1919, Chap. 61.

Equity of The Present Mine Tax. The question of the equity of the mine tax on productive mines can be reduced to these terms: Is the value of a mine (including the value of all mineral deposits) equal to the value of the mine plant (machinery, etc.) plus the net product as defined in the law? The surface value of the land underlaid with mineral can be ignored as the value is independent of and not affected by the mining operations.

First of all it should be frankly recognized that the value of a mining plant is directly dependent upon the presence of an economically profitable mineral deposit, and if for any reason that deposit fails to materialize or disappears, the value of the plant drops to scrap, usually a small fraction of its purchase price. Under the assessment system now in force in this state these plant values, even in the case of a productive mine, are assessed by the local assessor and their assessed value constitutes an irreducible minimum below which the assessment of the mine cannot fall, no matter how low the "net product" may decline. This is a fact that is often lost sight of in the public discussions of the problem. But, nevertheless, this is a minor factor in the case of most mines. It is true that usually the largest portion of the property of a mine fails to be valued under our system by identifying the value of that portion with the value of the net product of a single year. (1)

Any one who undertakes to defend the equity of the present arrangement (defining equity as equality and uniformity as prescribed by the state constitution) must take the position that either from year to year or in the long run the net product of single year added to the value of the improvements results in a figure which approximates the total value of the mine. There is no other defense without a shifting of ground, such as a plea for relatively favorable treatment because of special risks or special economic deserts.

So far as the contention rests on the year-to-year basis it is apparent that the net product of one single year is an arbitrary, uncertain and hapazard factor on which to rest a valuation of a mining property. It is little short of ridiculous to assume, as this method does tacitly assume, that capital values fluctuate as rapidly and violently as the net earnings of the operations of individual years. Who would seriously maintain for example, that the market value of a coal property with vast reserves sinks to zero whenever there is no net profit as the result of a single year's operations? Moreover,

(1) Or, as in the case in 1919 and 1920, with the three-year average described above.

who could successfully support the proposition that the market price of such a property with unlimited reserves will, with any degree of regularity equal the net product of any one year no matter how prosperous. Yet that is practically the theory which underlies the present statute except insofar as the assessment of improvements enters as a factor to affect the result.

Even the proposition that in the long run equality is approximated under this system is equally as difficult to maintain. Except insofar as the improvements may be assessed at a lower figure than would be the case if the expected life of the mine were long, this proposition holds true—that two properties in all other respects equal, would receive the same assessment because of their equal net products, even though one was on the point of exhaustion and the other had mineral reserves sufficient for a fifty-year life. A mine on the point of exhaustion would, of course, have a selling value which might closely approximate the net product of one year, but as one considers successive properties with larger and larger reserves it becomes evident that dependence upon the valuation of improvements to supplement the net product to an extent which will bring about equality becomes more and more ridiculous as the expected life of the mine increases.

However, the discussion of equity does not need to be confined to questions as to what might be expected to occur under suppositious conditions. The inadequacy of the present method of taxing mines is admitted even by those who benefit from the arrangement, the admission being in some cases open and frank and in some cases tacit and indirect. At this very time the state tax commission is confronted with the necessity of attempting by means of varying the assessed values of the un-operated coal reserves to eliminate discriminations whose causes lie deep in the net-product method of taxing operated mines. The whole system is inexact and arbitrary as a method of arriving at market value. It is inequitable both as between mines as a class and other property and between different mining properties within the class. We are convinced that the chief reason for its continuance thus far is the realization among the mining men that the mining property most discriminated against as compared with other mining properties is itself in no unfavorable position as compared with property in general.

Contiguous Property Clause. That section of the law which taxes the mineral values of contiguous property on the basis of an assessment of the annual net product of a producing mine is quoted in full on page 59. At the risk of being charged with substituting assertion for argument we shall dispose of this matter in a very summary fashion. As

interpreted by the State Tax Commission, an interpretation which is certainly literal and probably correct, there is no limitation upon the quantity of mineral content which can be covered by the net output of one producing mine except that it must (1) be "held or owned in the same right" and it must be (2) in land "contiguous" to the land on which operations are being carried on. Physical, engineering or economic obstacles which may absolutely preclude the utilization of such mineral deposits through the extension of the existing mining operations are entirely ignored.

In our opinion this contiguous property clause exaggerates materially every inequality which exists in the net-product method of taxing mines. Under its ample cloak considerable values have undoubtedly been able to hide. Its operation has resulted in a discrimination in favor of the mine with vast reserves and against the mine with reasonable reserves. It has probably resulted in discrimination against metalliferous and in favor of coal mines. It has encouraged the speculative holding of natural resources by radically reducing the carrying charges on such property. In our opinion a contiguous property clause never had an adequate excuse for existence and we recommend that, whatever method of taxing mines is adopted, only such reserves shall be allocated to producing mines as are reasonable from an engineering and economic point of view.

Reserves and Non-Producing Mineral Lands. In a state which is in the stage of development of New Mexico the taxation of non-producing property is always a problem of prime importance. Seldom does one find a normal correspondence between current income and sales values. The entire community is playing for a future rise in market values. The property tax, in effect, makes the announcement that contributions toward the support of government will be collected in proportion to the present value of each man's interest in the future wealth of the country or, to phrase it another way, the state demands that every player in the game pay a fee to continue to hold legal title to his gamble, which fee shall be in proportion to the present value of his prospective winnings. This system of taxation has the great advantage of being able to utilize the hopes and dreams of future wealth as a force for the collection of taxes during a stage when there is relatively little in the way of actually realized income upon which to draw. But to make the arrangement a fair one it is obviously necessary that all players be admitted on the same terms so far as the fees are concerned.

Ownership of an undeveloped mineral tract is fundamentally similar to the ownership of a vacant lot and the principle

to be applied in taxing both is precisely the same. In practice, however, the present value of the city lot is usually fairly easy to determine because of the fact that other lots similarly situated and substantially identical are often changing hands so that there is the final test of a market price of a similar unit almost always available. Such a check is often completely absent in the case of undeveloped mineral reserves. The tracts themselves are often very large and the number of possible purchasers small on that account. The presence of minerals is often problematical and there are uncertainties regarding transportation and market developments. In the absence of active market quotations the valuation of such properties presents obvious difficulties and when there are uncertainties the wise assessor values conservatively. On the other hand it is by no means true that because future gains are uncertain they should be completely ignored. Unless the risk factor is 100 per cent every chance of a future gain will reflect itself to some degree in the present market value.

The valuation of mineral reserves connected with an operating mine usually offers no serious difficulties in mines such as those most common in New Mexico. Sufficient reserves from an economical unit should be allocated to each mining operation and the mineral content valued by a method which apportions reserves over the estimated life of the mine. But to insist that because these active reserve values have been given to the assessor no account at all shall be taken of the mineral content of other lands which a company may own appears to us to be entirely unjustifiable. Assume for example, the economical mining unit is ten thousand acres and that a company owns ten such tracts on only two of which active mining operations are proceeding. If the market holds any prospect of expansion whatsoever it is evident that the third tract will have a value larger than that which would be imputed to it on the assumption that it would become economically available only after the first two tracts are completely exhausted. A market expanding at a very moderate rate will ripen the value of these undeveloped tracts with remarkable rapidity. Thus if the market for coal is expanding ten per cent annually and if the company secures its proportionate share of the increased business a very simple calculation will show it will only be sixteen years before all ten of the tracts will have to be operated to supply their demand.

In our opinion the only proper way to arrive at valuations of mineral reserves is to vest the State Tax Commission with power to fix the values and to provide them with professional assistance. Any attempt to impose arbitrary limitations is apt to result in under-assessment and is certain to result

in inequality. In case of over-assessment there is always resort to the courts and since properties of this type are usually held in large blocks that resort will not be resorted to because of the expense of appeals being out of proportion to the amounts involved. If such reserves have a present value it should be taxed and the only way to arrive at a valuation is to give to some agency of the state power to make it and to provide the assistance necessary to secure the data on which an intelligent assessment may be based.

Possibility of Achieving Equity Through Product Taxes. The present method of taxing mines depends upon a product tax to equalize the burden upon mines as compared with other real estate. In our opinion it does not accomplish this. The question, however, arises as to the possibility of achieving equity through some modification of the output tax.

The fundamental advantage possessed by the man in a growing community such as this who is taxed on an income basis, as compared with a man who is taxed on a capital basis has already been pointed out. If conditions were perfectly static, instead of being intensely dynamic, if every investment yielded its five per cent and if an investment could not be expected to increase or decrease in value, a tax on income could be easily equated with a tax on capital value. The equation would simply be:

$$\text{Property tax rate } X \frac{100}{\text{current interest rate}} = \text{income tax rate.}$$

Assuming a property tax rate of two percent and the interest rate five per cent, the equation would read:

$$.02 X \frac{100}{.05} = .40$$

In other words a two per cent property tax would be equivalent to a forty per cent income tax.

However, the task of equalizing the two taxes becomes complicated as soon as one substitutes the assumption of dynamic conditions in place of the static and the significant point is that the complications are due to the very factors which make the valuation of mines on the capital basis a difficult matter. In other words, if one had the data which would be necessary to equalize the product or income tax with a property tax under conditions as they actually exist,

he would also have the data for establishing an accurate assessment on the capital basis.

In the first place any serious attempt to equalize the two tax burdens must utilize the true net income of a mine and not the gross output, "net product" or any other arbitrary approximation of that figure.

The "spread" between gross income and net income varies widely between a phyllite mine and a metal mine of the other types, between coal mines and metal mines, and between mines of the same general type operating under different conditions. The use of any other factor than the final net gain on the operation would inevitably involve serious discriminations as between the mines themselves.

Again the element of risk enters as a disturbing factor. Risk is taken into account in arriving at the capital value of a piece of vacant real estate taxed under the property tax. It would also have to be taken into account in arriving at the net income of a mine. The forty per cent income tax rate arrived at as the equivalent of a two per cent property tax rate could be applied only to an item of pure net income from which all return for risk (really insurance premiums) had been eliminated. If half of the so-called profits were really a return for risk the forty per cent rate would have to be cut to 20 per cent. The net income taxed under the federal income tax returns contains a substantial element of this return for risk. Depletion may be deducted but those allowances are themselves based upon estimates as to the mineral content of the mines which may or may not be accurate. The only way to eliminate the risk factor entirely would be to prescribe the full repayment of the entire capital investment before any of the return was termed income. This would obviously be a ridiculous procedure for tax purposes, especially in a case where there were large capital investments in reserves. The only alternative procedure would be to qualify the rate on each mine in accordance with the size of the risk factor involved, but to make an accurate qualification one would require the very information regarding mineral content, etc., whose difficulty of attainment forms the basis of the objection to capital valuations.

In the next place the rate would have to be qualified in order to compensate the owner of the vacant lot for the disadvantage he endures by being asked to pay in advance on the basis of expected incomes—when the mine owner is only called upon for taxes if and when he realizes a net income. The difficulty of calculating such a qualification is obvious.

Moreover, if, under an income tax on mines depletion allowances were to be permitted on a basis of cost or investment,

the state would be justified, under accepted income-tax theory, in taxing a seller of a mine upon any gain realized by him on the sale. However, if the owner of a mine chose to move away from the state just before the sale there would be no way to reach that gain. The situation might possibly be met by refusing to recognize a new basis for depletion in cases of sales where the profits were not made subject to the state income tax in which case the mine would sell for less and pay higher taxes in the future, but such a procedure would result in one mine owner paying taxes on a different basis from another.

On the whole, even if we were disposed to admit the practicability of dependence upon some form of product tax to obtain the equitable taxation of mines (and we do not find ourselves able to admit it) we would nevertheless be inclined favor the *ad valorem* basis as preferable because, after all is said and done, this is the basis used in the case of property generally and no matter how carefully the output tax were synchronized and adjusted the suspicion would still lurk in the public mind that inequality existed. We believe that it is a desirable thing in itself to dispel this distrust and especially is it desirable to do so when the method which will accomplish this appears to us superior on other grounds.

It is evident that any attempt to achieve equity between mines taxed on an income or product basis and other real estate taxed on the basis of capital values is one which involves the same difficulties as the attempt to establish a capital valuation and would encounter others in addition. In fact such a task seems to us to be an impossible one and our inquiries at the hearings plainly show that this conclusion is concurred in by the mining men themselves. (1)

An Ad Valorem System The Best Solution. It seems to us to be clear both that the present method of taxing mines is grossly inequitable and that there is no possibility of evolving any type of product tax which we can confidently recommend as reasonably certain to correct the situation. This leads us to the consideration of the *ad valorem* method, the method used in taxing property generally in this state.

Qualified students of taxation have long appreciated the theoretical advantages of the *ad valorem* system of mine taxation, but until recently they have been inclined to accept the position that the technical problem of arriving at a valuation was an insuperable one. The *ad valorem* tax was recognized as the only scientific one if the mine tax was to form a part of a system of property taxation, but it was considered impossible of realization. Recently there has been a radical

(1) See pp. 84-85, Report of Hearings.

change of attitude. It is a change comparable to that which has taken place with reference to the state income tax. Before 1911 almost every tax student considered a state income tax desirable but unattainable. In that year Wisconsin proved its practicability and the rapid spread of income taxation throughout the United States is directly traceable to that demonstration. Similarly the establishment in several states of the feasibility of the *ad valorem* taxation of mines under proper administration bids fair to initiate a sweeping movement in the direction of its general adoption.

The commission had decided to recommend the adoption of the *ad valorem* method before it was informed that the report of the special committee on mines taxation of the National Tax Association urged the adoption of this method. Its report which was made to the Thirteenth Annual Conference Meeting at Salt Lake City, September 6th-10th, 1920, is such an illuminating discussion of the whole problem that we have considered it desirable to reprint it as an appendix to our report, and it is to be found in Appendix III. We subscribe heartily to the reasoning and the conclusions of that report and recommend that it be read in connection with this section. We agree that "the tax based on value takes into consideration all the elements that give value to a mine and allows, when they exist, a long life to be modified by high cost, large production to be modified by high cost and great earning to be modified by short life." Moreover we believe that the tax on value is the only method under which it is possible to take into account these and other necessary modifications.

It is sometimes not realized how completely the selling value, if accurately ascertained, does take into account the risks and contingencies involved in an operation. Insofar as mining does involve special risk these are weighed by the careful investor in fixing his purchase price and are taken into account by the professional engineer in arriving at a valuation.

We are fully aware that the process of evaluating a mine is a difficult matter and one which cannot be possibly left in the hands of an unskilled county assessor. We propose that the entire assessment of mining property be placed in the hands of the State Tax Commission and that in making assessments they shall use all available data such as an investor would consider in determining how much he would be willing to pay for the property. We believe that it will be necessary for them to have the assistance of skilled geologists and mining engineers. Such service is expensive but the cost of the best talent in connection with this work will be money well spent and will

be found to compare very favorably with the cost of assessing other classes of property.

Practicability of The Ad Valorem Assessment of Mines: No matter how promising a proposed solution of a tax problem may be from a theoretical point of view if that solution can be shown to be impracticable and unworkable it deserves only to be thrown into the discard. The test of the operation is absolutely conclusive and final. An opponent may admit every claim advanced by the supporters of a measure but if he can show that the plan is impracticable in every day operation, the victory is his.

Conversely, the very best evidence as to the practicability of a tax measure is the test of experience. If a measure has actually operated successfully under conditions essentially similar to those obtaining in the place of its proposed application, the plan has a perfect defense against charges of impracticability.

The *ad valorem* method of taxing mines has such a defense. In the states where it has been intelligently applied, as for example in Michigan, Wisconsin and Minnesota, the difficult technical task of valuation has been successfully attacked and the knotty problem of mine taxation more nearly solved than in any other place.

Every one knows that mines vary widely in respect to difficulties of valuation. Some types of mine challenge the best engineering skill. But this is not generally true of the mines in New Mexico. Coal mines which form so large a part of the industry in this state are perhaps easiest of all mineral deposits to evaluate and according to the testimony at the hearings of this commission fully 98 per cent of metalliferous mining in the state consist of phrophyry operations which present no great difficulties of evaluation. Moreover, it is pointed out in the report of the committee of the National Tax Association (1) every type of difficulty has been encountered and surmounted in the states which have made serious attempts to arrive at *ad valorem* valuations.

It is, of course, not proposed that the state shall go to the expense of making explorations, including diamond drilling of private mineral deposits. It will be sufficient to require that all data of this type which has been or may be obtained as a result of private exploration be made available to the State Tax Commission are supplied with all the data which come and expenditures are now supplied as an incident to the determination of the "net product". If the experts of the State Tax Commission are supplied with all the data which

(1) See Appendix III.

the owners of the properties themselves possess and make for themselves such investigations as are possible from an inspection of outcrops and workings, sufficient basis for a tax valuation can ordinarily be obtained.

The objection is sometimes raised to the *ad valorem* system that it results in heavier taxation for a mine which explores its reserves than for a mine which does not do so which both places an unjust burden on the mine whose reserves are established and tends to discourage the exploration of reserves. While there is undoubtedly some truth in this assertion, it is authoritatively denied that in actual operation there has been any noticeable tendency to restrict exploration in those states which utilize the *ad valorem* basis. (1) The tax is, after all, usually a minor factor. In case the legislature deems it desirable to adopt the "suspense fund" plan suggested in a later section considerable freedom might be exercised by the assessing body in placing tentative values on properties where they had reason to believe explorations were being retarded.

Suspense Fund. No matter how competent the professional advice and no matter how sound the judgment of the assessing authority, it still remains true that the valuation of mines is a problem of peculiar difficulty and that some important factor used in arriving at a valuation may suddenly be found to have been greatly misjudged. Mine values are not subject to so constant a check through actual sales as are property values generally. These facts may be considered to furnish sufficient ground for special treatment in the case of mines to this extent, that a special type of insurance fund be established to guarantee, in a sense, the accuracy of the assessor's valuation.

We are not fully convinced of the necessity for this special treatment and we do not urge it as a specific recommendation. However, we can see that such a safeguard may tend to make our general assessment plan more acceptable and, consequently, we outline an arrangement which we believe to be essentially sound even though not without serious dangers in a state where the general level of efficiency in the administration of state trust funds are not above criticism. The plan is suggested by the recommendations of the British Committee on Financial Risks Attaching to the Holding of Trading Stocks which were designed to relieve the taxpayer from the risk of paying Excess Profits Duty on values which might never materialize.

It might be possible for the State Tax Commission in valuing a given mining property to divide the assessment into two

(1) Cf. Report of Committee of the National Tax Association, Appendix III.

parts, the first part consisting of values of which it felt certain, the second part consisting of very uncertain values. It might be arranged that the taxes assessed against the very risky values should be paid into a special state fund to be held in suspense for a given period at the end of which time they might be distributed to the proper state and local treasuries or refunded to the taxpayer depending upon whether the values assessed had or had not proven to be substantial in the light of developments. A receipt in the form of a special non-interest bearing contingent fund bond might be issued for such taxes. After some years of operation an experience table might be constructed which would indicate which portion of the suspense fund could be safely used for current purposes and what portion should be left in reserve for repayments.

We realize that such an arrangement would be a somewhat complex refinement, but its adoption might prevent injustice to certain individual tax payers and would certainly make it possible for the State Tax Commission to proceed in a more confident manner in fixing the assessed values of the mines.

Taxation of Oil Wells. We believe that the same general principle used in valuing mines should be applied to the taxation of oil properties. Whatever their true market value is on the day of the assessment should be their assessed value for purposes of taxation.

If it seems to the legislature that there may be some danger of values escaping taxation under this plan we can see no serious objection to an output tax on the oil produced, payable currently, with a proviso that receipts for output tax paid in any year be accepted in payment of the regular taxes on the property and the excess refunded.

Specific Recommendations. As a result of our consideration of the problem of mines taxation we submit the following definite recommendations:

- (1) That new legislation be passed specifying that all mining property shall be valued on precisely the same general principles as other real estate; and that Chapter 55 of the laws of 1915 be repealed.
- (2) That power to assess all mines and mineral property be vested in the State Tax Commission as reorganized in accordance with our recommendations made elsewhere in this report and,
- (3) That the Tax Commission be supplied with the necessary professional assistance.

The experience of other states indicates that the provision

for professional assistance need not be elaborate. In our opinion, it will be essential, however, to place the initial valuation in the hands of a geologist or mining engineer of outstanding reputation—one who comes from outside the state and who has no affiliations with any of the mining interests within the state. This was the procedure followed in both Michigan and Wisconsin. He should be permitted to build up his own organization of assistants.

It would be very desirable that one of the assistants should be retained after the completion of the initial valuation as a permanent employe of the State Tax Commission at a salary of about forty-five hundred dollars (\$4500). This person should have charge of the annual evaluation of the mines (1) and should have the privilege of consulting with the engineer, who made the original valuation, from time to time, as difficult problems arise.

Both the original engineer and the permanent employe of the Commission should have the privilege, as professional men, of making public the values they establish and recommend.

We recommend, consequently, that professional assistants be arranged for as follows:

- (a) That the sum of twenty-five thousand dollars (\$25,000) be appropriated to meet the expenses of the initial valuation: (2)
- (b) That an engineer of national reputation be engaged to undertake the work.
- (c) That provision be made for a permanent mine tax assessor at a salary of forty-five hundred dollars (\$4,500) per annum, this person to be preferably a member of the staff making the initial valuation, and selected by the person in charge of that task; and
- (d) That a sufficient sum be provided annually for payment of consultation fees.

(1) That is, he should prepare the valuations and present them to the State Tax Commission for action. The Commission should have the power legally to establish the assessment.

(2) The appropriation in Michigan was Thirty Thousand Dollars (\$30,000).

Note: See Appendices IV, V, XIX, XXXIV, XXXVI.

CHAPTER V.
STATE ADMINISTRATION.

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CHAPTER V.

STATE ADMINISTRATION.

I.—Governor.

The Governor receives a salary of \$5,000 per annum, \$4600 for other salaries and \$5000 contingent expenses. He is furnished with a residence by the State. The residence is maintained by the Capitol Custodian Committee at state expense. For two years during the recent war the Governor was furnished with certain additional funds by the Council of Defense out of the war fund created by Chapter 5 of the Extraordinary Session of 1917.

We believe that the Governor's salary and contingent expenses should be maintained on the basis contemplated in the regular appropriation act of 1919, which is a fair compensation as compared with most other states and sufficient to conduct the office creditably.

Sections 5360 and 5361 of the Compiled Laws of 1915 provide for a legal advisor to the Governor at an annual salary of \$2,000. There is no necessity for such an office and it should, in our opinion, be at once abolished. WE RECOMMEND THE REPEAL OF SECTIONS 5360 and 5361 OF THE COMPILED LAWS OF 1915. The Attorney General of the State can at any time be called on by the Governor for legal advice.

We recommend the submission to the voters of the state of a constitutional amendment providing for the SHORT BALLOT on the lines recommended by a special committee of the TAXPAYERS' ASSOCIATION OF NEW MEXICO appointed in 1919 to investigate and report upon that subject. The report of the committee appears in full in the Appendix. (See Appendix VII.) The proposed constitutional amendment which we indorse is as follows:

"BE IT RESOLVED by The Legislature of the State of New Mexico: That the following amendment to the Constitution of the State of New Mexico to be known as "The State Short Ballot Amendment", is hereby proposed to be submitted to the electors of the State for their approval or rejection at an election to be held in the State on the Tuesday next after the first Monday of November, 1921.

That hereafter no state executive officer or commissioner shall be elected at the regular election held in the month of November, 1922, or at any election thereafter, except a Governor and a Lieutenant-Governor, each of

whom shall hold his office for a term of four years beginning with the first day of January next after his election. The Governor shall nominate and by and with the advice and consent of the Senate appoint all other state executive and administrative officers created by the Constitution or laws of the State of New Mexico, including those hereafter to be created, and all such officers shall hold their respective offices during the pleasure of the Governor.

State executive officers and commissioners heretofore elected by the people shall continue in office during the period for which they were respectively elected unless sooner removed in accordance with existing law."

We are of the opinion that the people of the state should have the opportunity to express themselves on this very essential matter. We feel that much of the failure of our central government to function economically and efficiently is due to the lack of centralized responsibility. No executive officer can actually act as an executive officer without the power to properly administer his office. There should be nothing very difficult about managing the affairs of this state. There should be nothing about it essentially different from the management of the affairs of any other correspondingly large unit of endeavor provided the man in charge as executive chief were in one case given the same powers and the same responsibility as in the other. Theoretically government is a convenience, a voluntary substitute through united action for accomplishing by means of centralized organization, things that the people might do for themselves but believe can be better done otherwise. All these things taken together in this state amount to a business which is small in comparison with many big businesses carried on by individuals and corporations. But it is a vitally important business to the people of the state and should be carried on at least as efficiently as the most efficient private business. It is a continuing, a never-ending business and there is every reason why it should be carried on more efficiently than other sorts of business. But, in fact, it is not conducted anywhere near as efficiently on the whole as most well-conducted private businesses. This is largely due to the fact that the various departments of our government business are not properly co-ordinated under the leadership of one responsible chief. The Governor who is theoretically the responsible administrative head of government has in fact little or no power to co-ordinate, amalgamate, or harmonize.

Our former territorial government was in many respects a much better government for New Mexico than our present

state government. If arrangements could be made for an elective state governor to have the powers formerly held by an appointive territorial governor, and this is about what the Taxpayers' Association Committee recommends, we would, in our opinion, in consideration of our representation in the Federal Congress, have a much better arrangement than either our former territorial government or our present state government.

Neither political party adopted the plank in regard to the short ballot as recommended by the Committee although they were requested to do so. Objections are made on the ground that the short ballot would put too much power in one man and at the same time it is maintained that the people are quite capable of choosing a dozen men fit to conduct properly various central administrative offices which must be co-ordinated if they are to function equitably. At the same time without a real central control such co-ordination is practically out of the question.

We are strongly of the opinion that the people should be given the opportunity to express themselves on this matter and that the legislature should submit to them the amendment proposed.

As an alternative proposition we suggest that the amendment as proposed be altered so as to include the State Auditor with the Governor and Lieutenant-Governor as an elective officer. This plan has been proposed in New York and other states and is in line with progressive thought on this subject. We are, however, strongly of the opinion that no other administrative state offices besides these three should be elective.

A two-year term for gubernatorial and other state offices is, in our opinion, a mistake. Section 1 of Article V of the State Constitution provides:

"The Executive Department shall consist of a governor, Lieutenant-Governor, Secretary of State, State Auditor, State Treasurer, Attorney-General, Superintendent of Public Instruction and Commissioner of Public Lands, who shall be elected for the term of two years beginning the first day of January next after their election.

"Such officers shall, after having served two consecutive terms, be ineligible to hold any state office for two years thereafter."

This section was adopted at an election held November 3, 1914, in lieu of the original section which provided for four year terms for state officers and that they should be ineligible for re-election after serving one term.

We do not know why this change was made and believe

that it generally is conceded to have been a mistake. A change back to four-year terms as provided for in the short ballot amendment is, in our opinion, desirable and we specifically recommend that the terms of state officials be by constitutional amendment made four years, instead of two, and that there be no limitation as to the number of consecutive terms which may be held by the same incumbent. We also recommend that the elections for state officers be held in non-presidential years.

Secretary of State.

One of the principal functions of the office of the Secretary of State at present is the issuance of automobile licenses. This is controlled by Chapter 150 of the Laws of 1919 amending Chapter X of the Compiled Laws of 1915, (Sections 379-394). Section 393 of the original law provided that all fees paid the Secretary of State for such licenses "less the cost of the administration of this chapter" shall be paid to the State Treasurer for the benefit of the State Highway Fund. Section 15 of Chapter 38 of the Laws of 1917, relating to Highways stipulates that one-half of the net revenues paid, for motor licenses shall be paid the state road fund and one-half to the counties. But the latest law, that of 1919 provides that the net proceeds of all funds derived from the registration of motor licenses shall be credited to the State Road Fund. None of these statutes designate what the net proceeds shall be, that is to say they do not designate any limit for "administering the chapter". The administration of the auto license business by the Secretary of State's office has, in our opinion, been unreasonably high.

For the sixth fiscal year the total amount received from automobile licenses was \$105,631.35 of which \$11,969.27 was expended for administration as follows: Clerk hire \$5301.05; stamped envelopes and postage \$2084.74; telephone and telegraph \$171.77; office supplies \$596.21; printing \$863.85; license tags \$2826.45; drayage and freight \$77.51; express \$19.99; typewriter \$51.00; miscellaneous \$31.95.

For the seventh fiscal year ending November 30, 1919, a total of \$107,833.64 of which \$15,738.74 was expended for administration as follows: Salaries \$5805.35; extra clerical help \$1381.50; telegraph and telephone \$4.52; office supplies \$574.09; printing and stationery \$2151.05; freight and express \$676.30; postage \$2269.84; license tags \$2869.09; miscellaneous \$7.00.

For the present fiscal year, January 1st to October 31st, 1920, a total of \$200,102.12 has been collected from automobile

licenses, the total disbursement for the same period being \$17,389.73.

We are of the opinion and so recommend that the administration of the auto licenses be placed in the hands of the State Highway Commission and that Chapter 150 of the Laws of 1919, be so amended as to bring that about. We believe that a very considerable saving should and would be effected by such a change. It is entirely proper in our opinion that the proceeds from automobile licenses should be turned into the State Road Fund and be used by that fund in the manner now designated in the laws governing the State Highway Commission. We will elsewhere in this report make some comment on certain phases of the State's road policy. We are, however, of the opinion that a central state road commission is and ought to be a permanent institution in New Mexico. It is quite the proper and fitting administrative branch of the central government for doing this work, inasmuch as the proceeds from the licenses go into the State Road Fund. An examination of the procedure in most other states demonstrates that a similar practice has been inaugurated in most other state governments.

We recommend that the laws be so amended as to provide for the administration of the automobile licenses by the State Highway Commission, that the actual expenses of the administration be paid out of the State Road Fund. In this manner, we believe, the cost of administering the license business will be reduced to a minimum. Every effort should be made to reduce to as low a figure as possible the cost of collecting funds such as this license fund and the gasoline tax fund which contribute materially to the state road fund. The greater such savings, the less will be required in the way of direct mill levies to support the State Road Fund. A greater degree of accountability will lie against one department having charge of the collection as well as the disbursement of those funds than if, as is now the case, their collection is spread through various departments.

Superintendent of Insurance.

For the sixth and seventh fiscal years, this office was annually allowed \$2400 for the salary of the superintendent, \$1200 for clerk's salary and \$1200 for office and traveling expenses. For the eighth and ninth, the annual appropriations allowed \$2400 for the superintendent's salary and \$1600 for clerical, office and traveling expenses.

It is generally conceded that the office of superintendent of insurance should be abolished. The various functions of the office should be distributed among other departments. The regulatory and examination functions should be performed

under the supervision of the State Bank Examiner and the assessment of the 2 per cent tax on premiums written should be turned over to the State Tax Commission, the collection of the tax being made by the State Treasurer.

The examination of insurance companies and the granting of certificates will not be incompatible with the general and primary duties of the State Bank Examiner. The cost of examination is borne by the company examined. In fact, it is quite possible in the judgment of this commission for the State Bank Examiner's office to perform all the duties of the State Superintendent of Insurance and thus save the state at least \$2000. An additional assistant would of course have to be employed by the State Bank Examiner.

The commission cannot too strongly condemn the practice that has existed of permitting a state officer to be absent from his office and perform no duties nor render the state any service and at the same time draw full pay. This has been the situation in the insurance department. Had it not been for the willingness of a capable deputy to hold the position at a low salary, the state would undoubtedly have suffered from the negligence of the head of the department.

Corporation Commission.

We recommend the immediate repeal of Section 1 to Section 12 of Article XI of the Constitution of the State of New Mexico creating the State Corporation Commission. We believe that experience has already proven that the Commission is not an effective instrumentality for public good and that the expense involved in its administration is utterly unjustified considering the results attained. For the sixth and seventh fiscal years the appropriation for the maintenance of this commission were \$22,000 a year, for the eighth and ninth \$22,300 a year. The latter appropriations were as follows:

(1) For salaries members of Commission.....	\$9,000.00
(2) For salary Chief Clerk	2,000.00
(3) For salary Assistant Clerk	1,500.00
(4) For salary Rate Clerk	2,700.00
(5) For salary Record Clerk	1,200.00
(6) For salary two stenographers.....	2,400.00
(7) For contingent office and traveling expenses	3,500.00

It is quite out of the question to bring about any saving in the total cost of government unless the people are willing to cut out such expenditures as are manifestly unjustified. The cost of this commission is, we are fully convinced, such a one. An examination of the situation made with the assistance

of a totally unprejudiced and highly qualified outside expert shows that in view of the constantly expanding powers and duties of the Interstate Commerce Commission this state commission is quite superfluous.

Section 6 of Article XI of the Constitution provides that the Corporation Commission shall issue corporation charters to domestic corporations and licenses to foreign corporations and collect all fees for the same. These fees amounted in 1920 to \$33,000 and more than offset the expenses of the commission. That fact has been cited as justifying the cost of the commission. The State Supreme Court has also decided that a transfer of all the powers of supervision and control of insurance companies from the Superintendent of Insurance to the Corporation Commission was contemplated by this section. The superintendent was therefore required to transfer all charters, papers and documents relating to corporations on file in his office. But except as to the powers specifically conferred upon the corporation commission, so the court held, the section is not self executing and did not abolish the office of Superintendent of Insurance. In spite of the fact that there was nothing left for such an officer to do the legislatures have continued to appropriate \$2400 a year for salary and \$2000 or more for expenses of the office, and the governor to appoint a ninecumbent to the office. This is manifestly a waste of money which is quite inexcusable.

We recommend therefore:

I. The passage by the legislature of a joint resolution providing for the submission to the people of a constitutional amendment repealing Sections 1 to 12 of Article XI of the Constitution and substituting present sections numbered 13 to 18, inclusive, as Sections 1 to 6, inclusive, of Article XI as amended.

II. The passage by the legislature of laws placing in the office of the Secretary of State the powers and duties as to the regulation of domestic and foreign corporations, granting of franchises, etc., now granted to the corporation commission by Section 6 of Article XI of the present constitution, and appertaining to the Corporation Commission because of the decision in the case of State vs. Sargent (139 Pac. 144) relating to the functions of the Superintendent of Insurance.

III. The passage of laws creating one Public Utilities Commissioner with such powers relating directly to the control of Public Utilities within the state as may be deemed necessary after a careful analysis of the question.

IV. The repeal of Sections 2801 to 2811 of the compiled

laws of 1915 and the re-enactment of such portions thereof as may be deemed advisable in order to bring the functions of the Superintendent of Insurance into the hands of the Bank Examiner and the State Tax Commission. The amendment of Chapter 84 of the Laws of 1917, Chapter XXIII of the Compiled Laws of 1915, Chapter 112 of the Laws of 1917, Chapter 56 of the Laws of 1917, Chapter 120 of the Laws of 1919 and all other laws insofar as it is necessary so to do in order to bring under the jurisdiction of the Secretary of State all functions in connection with corporations and insurance companies now appertaining under the constitution and present laws to the Corporation Commission.

By carrying out this program in connection with the transfer of the auto license business from the Secretary of State's office to that of the State Highway Commission the administration will, we believe, be effectively concentrated, the people's business done as well or better than at present, the rights of all parties properly protected and a great saving in cost effected. A conservative estimate of the saving to be effected by the foregoing suggested readjustments is we believe as follows:

Cost Eliminated per Annum:

I.	Net saving in the cost of collecting automobile licenses by changing from the Secretary of State to the office of the State Highway Commission, estimate at.....	\$ 7,500.00
II.	Costs of the Corporation Commission.....	22,300.00
III.	Cost of Office Superintendent of Insurance	4,000.00
		<hr/> \$33,300.00

Costs Under Readjustment:

I.	Corporation Record Clerk Secretary of State	\$ 2,000.00
II.	Insurance Clerk, State Bank Examiner.....	2,000.00
III.	Extra stenographic help, Secretary of State	1,200.00
IV.	Costs of office of Public Utilities Commissioner	7,500.00
		<hr/> \$12,700.00
Net saving		\$20,600.00

If upon legal advice it appears to be proper, we advise the passage by the legislature of the laws advocated in this connection, at the coming session of the legislature to become effective upon the adoption by the people of the amendment proposed. This would hasten the consummation of the program,

a program which, we feel sure, will appeal to the people and voters of the state when properly brought before them.

State Auditor, Treasurer and Traveling Auditor.

General. The offices of the State Treasurer, State Auditor, Traveling Auditor are important units in the financial organization of the state. The first two positions are elective and the position of traveling auditor is appointive by the State Auditor. The terms of the incumbents of all of these offices are two years.

The State Treasurer is required to receive and keep all moneys of the state except when otherwise specifically provided, and the Auditor is required to audit, adjust, and settle all claims against the State payable out of the treasury. It is the duty of the traveling auditor to examine and audit the accounts of all state and county officials and state institutions, together with building and loan associations and such corporations as seem to be quasi-banking in character. He also has power to install uniform systems of accounting in the various offices and institutions.

State Treasurer.

As stated above, the function of the State Treasurer is to receive and keep all moneys and to pay them out upon warrants of the Auditor. He also is required to invest the moneys in safe interest bearing securities or deposit in a bank.

State Auditor.

The title of State Auditor is a misnomer; the position is rather that of comptroller and the title should be changed to State Comptroller, but under the present financial plan his duties of control are simple. In making appropriations, the General Assembly designates the funds in favor of which the various appropriations are made. Most of these are in lump sums, although in some departments, as for instance, the State Penitentiary, the total appropriation is divided into four parts, namely: current expense, maintenance, board and transportation of discharged convicts.

The Auditor keeps the following records:

1. A voucher record in which he enters in numerical order under each one of the funds provided for, the vouchers drawn against such funds by the respective departments or institutions.

2. A general ledger in which a separate account is set up for each fund. The auditor enters in connection with each account the total amount of the appropriation. As moneys are received from various sources, such as tax payments, etc., entry is made on the credit side of the ledger, and as disburse-

ments are made, entries are made on the debit side of the ledger.

3. A subsidiary ledger. In this ledger the Auditor keeps certain subsidiary accounts of what should be controlling accounts in a general ledger. Some of these accounts are real subsidiary accounts of real controlling accounts, and some are largely duplications. An example of the latter is that for salary. This account is divided into two parts; one, salaries and wages of officials and clerical help, and the other, contingencies. The appropriation for the total amount for salaries is entered in the General Ledger, and all receipts and disbursements are entered thereunder. The Auditor, however, keeps in the subsidiary ledger the account with contingencies, in which he enters as credits that proportion of each receipt of money as the total appropriation for contingencies bears to the total appropriation for salaries. He also enters on the debit side of the subsidiary account all payments for contingencies. Thus, it will be seen that the debits for contingencies in the subsidiary account are duplicates of those made in the General Ledger.

Copies of receipts of money paid in received from the State Treasurer constitute the Auditor's authority for making entries in his books. The receipts are as follows: 1. Tax receipts; 2. Miscellaneous receipts; 3. Land office receipts; 4. Game protection receipts. These receipts are issued by the Treasurer in triplicate, the original going to the person paying in the money, the duplicate to the State Auditor, and the triplicate remaining in the Treasurer's office. Each of these said forms bears a serial number, and the only check the Auditor has that the Treasurer is sending him all of the moneys he collects is to see that the receipts are in serial number order. He has no way of knowing whether the Treasurer is receiving any money for which he gives no receipts, nor that the Treasurer perhaps is not issuing a duplicate series of receipts. The Treasurer makes no report whatever to the Auditor; therefore, the Auditor does not know whether his books balance with the Treasurer's until an audit is made by the Traveling Auditor. Such an audit is now being made but it is the first for a considerable period. Theoretically the Auditor should be in balance with the Treasurer, except for outstanding warrants.

Moneys paid into the state treasury can only be removed therefrom by warrants drawn upon the State Treasurer by the Auditor. In order to secure such a warrant, the department issues its own voucher, signed by the department head. When such a voucher is presented to the Auditor, he checks it with the account upon which it is drawn, and if there are sufficient

funds, issues a warrant therefor. If there are not sufficient funds, he holds up the voucher. It is sometimes the practice for departments to issue vouchers and to give them direct to the payee who, instead of going to the Auditor and getting a warrant on the Treasurer, deposits the voucher in a bank, and the bank takes such vouchers to the Auditor and gets warrants upon the Treasurer. This practice is not peculiar to the State of New Mexico, but is nevertheless not good practice.

Traveling Auditor.

The functions of the Traveling Auditor, as above indicated, are to audit the accounts of the State departments and institutions, the accounts of county officers, and the accounts of building and loan associations, and quasi-banking corporations. There are a total of 189 such offices and institutions. These are as follows:

State offices and departments	18
State institutions	14
Building and loan associations	12
County officers, including county clerk, county treasurer, sheriff, county school superin- tendent, road superintendent in 29 counties....	145
Total	189

Also as stated above, the Traveling Auditor and his assistants are appointed by the State Auditor. At present there are four assistants, two of whom receive \$2100 a year each and two \$1800 a year each. The Traveling Auditor also has an office clerk who receives \$1500.00 a year. The Traveling Auditor claims he has good assistants, and that he requires that an applicant shall be an experienced accountant. He states, however, it is necessary for him to break in newly appointed assistants.

The Traveling Auditor is given authority to establish standard systems of accounts. He states that such a system has been designed for counties and has been installed and is in satisfactory use. He says that the system for departments and institutions necessarily varies, and that it cannot be said that any standard system is in general use among the departments and institutions.

The law requires that all state and county officials shall account for materials and equipment coming into their possession, as well as moneys. This law has not been enforced with any great degree of success.

The Traveling Auditor requires the county clerk, county

treasurer, and sheriff in each county to make a monthly report. These reports are checked over by the clerk.

Section 6, Chapter 128, Laws of 1919, provides that "The Traveling Auditor * * * shall have power to examine the financial affairs of * * * offices * * *, and shall make such examination once each year, or oftener if the State Auditor deems it necessary." The manifest intent of this section is to require annual audits, but the last clause seems to furnish an opportunity for a less rigid interpretation.

In any case the Auditor is now considerably behind in making audits. He says that some counties and some departments and institutions have not been audited for four years. He admits that this situation is bad, but points out that it is better than when he took office, when some departments, institutions, and counties had not been audited for nine years. The Auditor feels that in order to actually keep up, he would have to have eight assistants. In support of this contention, he points out that he has a large number of completed audits lying on his desk but that because of press of work, and the fact that he himself must assist in the making of audits, he cannot go into these finished reports and submit them as soon as he should. The Auditor states that his audits are not "mere checks" as some have contended, but that he makes real audits. In his annual report for the Fifth and Sixth Fiscal years, the Auditor gives, on page 48, the various steps which he takes in making each audit. He insists that in the taking of such steps a complete audit is assured.

In the annual report above referred to, the Auditor makes certain recommendations all of which are concurred in by this commission.

1. That the audit of building and loan associations and quasi-banking organizations should not be made by the Traveling Auditor, but by the Bank Examiner, and that the functions of the Traveling Auditor should be limited to the audit of the accounts of public officials and institutions.

2. That accounting jurisdiction over all towns and villages, whether incorporated or not, independent school districts, justices of the peace and other officials and corporations of a purely public nature, should be added to the duties of the Traveling Auditor.

3. That if the scope of the work of the office be extended, as recommended in item two, the law should be further amended so as to provide that bonding companies and personal bondsmen should not be relieved from responsibility and liability on bonds of public officials until given by the Auditor an official clearance or notice that no liability exists.

4. That the Public Moneys Act, Chapter 57, Laws of

1915, should be so amended as to show the proper disposition of interest received on public deposits.

No Central Control of Revenues or Expenditures.

All of the above discussion, especially in connection with the State Treasurer and State Auditor, applies almost entirely to funds raised by taxation. Funds earned from the lease or sale of public lands and part of the moneys received from the collection of automobile licenses are also turned over to the State Treasurer, this being in addition to taxes. However, these funds do not by any means constitute all of the revenues of the state departments and institutions. The educational institutions have the revenue they derive from fees, tuition, sale of books, etc. The penitentiary earns money in addition to that earned by prisoners. The charitable institutions collect payments from relatives of inmates for maintenance, etc. All of these earnings are kept by the institutions or departments, and expended by them as they see fit. They are neither turned over to the State Treasurer nor is their expenditure in any way controlled by the State Auditor. The Traveling Auditor, it is true, checks these receipts and disbursements, the same as he does appropriations, but this check by no means gives the proper control. It simply means that if an improper use of the funds has been made, it probably will eventually be discovered. It is obvious that any money earned by any department or institution is just as much state money as that received from taxation or sale of lands. Any moneys so earned should operate to reduce the necessary tax levy. If it could be possible for all institutions and departments to be self-supporting, there would be no need for any tax levy at all. Manifestly departments and institutions should be encouraged to earn all they can legitimately, keeping in mind at all times the fact that the state government exists for the purpose of performing service. It follows that all moneys earned by departments and institutions should be paid into the state treasury, and that appropriations for the total amount needed by state departments or institutions should be made by the General Assembly in the appropriation act. In order to provide for contingencies, a contingent fund should be set up, withdrawals from which could be made at the direction of the committee composed perhaps of the Governor, and two other officials. If a department or institution found that its appropriation for a given item was insufficient, by reason of accidents or business beyond that estimated, a withdrawal should be made from the contingent fund for the benefit of such department or institution.

Budget Law.

If such a plan as generally outlined above be favored, a comprehensive budget law should be enacted. Just whether such budget should be an executive budget or a legislative budget, or a combination of the two, it is too early to state. Departments should be required to make their estimates in accordance with the proper classification of items of expenditure, and the appropriating body should appropriate for the various functions of departments or institutions in accordance with such general classification. In other words, appropriation should be made for salaries and wages, for fees, for office supplies and stationery, for equipment, for capital outlay, etc., but provision should be made that transfers from one fund to another may be permitted upon a showing that an emergency exists, and after a proper approval by a board such as that mentioned above.

This sort of a budget law should also require that the Auditor or rather Comptroller keep appropriation accounts for each of the items in the appropriation act. This, it is true, will require a more elaborate set of books and perhaps an additional bookkeeper, but it is believed that the benefits of central control of revenues and expenditures will far outweigh any additional cost occasioned thereby. The departments in estimating for the next fiscal year will be able to make use of the classification of the amounts expended during the past year as recorded by the comptroller, and within one or two years should be able to make accurate estimates for the various items.

Financial Officers.

Eventually the State may wish to create a department of finance, in which the Treasurer, Comptroller, Auditor, Tax Commission and other persons or bodies handling or being responsible for state funds, would be heads of branches. The head of such a department would be appointed by the Governor and he would appoint his branch heads.

It is manifestly improper for the State Auditor to appoint a State Traveling Auditor, as at present, inasmuch as the Traveling Auditor turns around and audits the books of his superior. This, under present conditions, and with the present personnel, may be alright, but it is perfectly possible that it could be degenerated into a farce. The title of the Traveling Auditor should also be changed to that of State Auditor, with functions as at present, plus those recommended above. (See suggestion for change of title of present Auditor, page 83.) He should probably be appointed by the Governor, with the

consent of the Senate, but for a longer term, and a term not so co-incident with that of the Governor. If the term of the Governor is to remain two years, the term for the State Auditor should be perhaps five years; if the terms for Governor is extended to four years, the term of six years for the State Auditor would be satisfactory. The State Auditor should be removable only for malfeasance in office, and then only by the Governor with the consent of the Senate. In other words, the Auditor should be the most independent officer in the state. Moreover, he should undoubtedly have more assistants, at least to enable him to bring his work up to date, and it would be well to require higher qualifications. In no other way can the state be assured of satisfactory and complete audits.

Game and Fish Warden.

This department for the sixth fiscal year received a total of \$22,424.80 from licenses, fines, etc. It received no direct appropriation from taxes. The receipts of the fiscal year mentioned added to the balance at the beginning of the year of \$9,137.90 made a total of \$31,561.70 available. The total disbursements amounted to \$25,705.16 of which \$4100 covered the salaries of the game warden, his chief deputy and a stenographer. The field deputies were paid \$5,686.28 and \$15,918.88 covered other expenses.

At the beginning of the seventh fiscal year, December 1, 1918, the balance on hand was \$5,857.54. The receipts for the year following were \$31,990.02 and the expenditures \$29,156.82, leaving a balance on November 30, 1919, of \$8,690.74. The report for the eighth fiscal year will not be available for three or four weeks, but at this date, November 8, 1920, the balance in the fund is \$19,721.76.

A report submitted to the Commission for the period March 12, 1919, to June 30, 1920, showed expenditures as follows:

Salary of Game Warden	\$ 3,148.36
Salary of Chief Deputy	2,361.59
Salary of License Colector and Clerk.....	1,596.72
Salary and Expenses of Field Deputies.....	9,432.21
Additional clerical and other service.....	225.00
Printing and binding	2,964.55
Telephone and telegraph	570.34
Freight, express and drayage	80.83
Equipment ..	339.78
Supplies and stationery	90.06
Postage ..	306.00
Traveling ..	1,610.94

Automobile	3,674.45
Premiums on Bonds	299.59
Fish propagation	5,298.31
Game propagation	325.75
 Total for fifteen months.....	 \$32,324.48

At its Fourth Annual Meeting at Santa Fe, April 23 and 24, 1920, the New Mexico Game Protective Association adopted a plan for reorganization of the Game and Fish Department which the secretary of the association discusses as follows:

"The present New Mexico state game law provides for the appointment of a state game warden by the Governor. The salary is \$2400. The powers delegated by the present law are practically limited to law enforcement work. While able and experienced men have occasionally been appointed under the present system, the appointments have always been political in nature, the tenure of office is two years and accordingly the opportunities for actual constructive work very small. During the past three campaigns the G. P. A. has attempted to secure non-political appointments, but generally failed. Due to the entire responsibility for the State Game Department being vested in one man and due to the growth of the income from licenses, the last legislature has imposed severe restrictions upon the game warden in the expenditure of the income of his department.

"The fundamental idea of the proposed plan for a State Game Commission is:

- (1) To remove the department from politics.
- (2) To greatly enlarge its powers, including the delegation of authority to establish refuges and change seasons.
- (3) To pay an adequate salary.
- (4) To divide the responsibility for the department between the warden who would be an executive or general manager, and a game commission who would act as a board of directors and establish the policies of the department. By vesting responsibility in a group of men instead of one man, it is hoped to lay the basis for the removal of the financial restrictions now imposed on the expenditures of the department's income.

"The non-political nature of the commission under the proposed plan would be assured by the provision which requires the selection of two out of three of the commissioners from the scientific staffs of the existing state institutions.

"The plan proposes that the warden be appointed by the commission instead of by the governor as at present.

"The commission would be a continuing commission for the reason that the qualified men on the staffs of the state institutions are limited in number. Under the proposed plan the warden would serve at the pleasure of the commission which means that a good man would serve as long as he made good. This would enable the game wardenship to become a professional instead of a political plum.

"Through the enlarged powers granted to the proposed commission, the game refuge question would be automatically solved.

"One of the strong points of the proposed plan is that the Game Protective Association would have nothing more to say than any other group of individual citizens concerning the policy or personnel of the department. This removes the objection heretofore made by the political interests to the effect that the association was trying to "run" the State Game Department."

We believe that the plan recommended by the Game Protective Association would result in better game protection throughout the state and in a better administration.

Highway Commission.

The road question in New Mexico is now and must necessarily remain one of the most difficult of any from the taxpayers' point of view. Demand for good roads is very general, but the cost of constructing and maintaining anywhere near a complete system of roads in the state is in the aggregate so great as to be a very serious burden, unless it be distributed over a long term of years. To arrive at a reasonable plan for meeting this demand at an annual expenditure which can be justified under existing conditions, is a problem not easy of solution.

Your commission is convinced that the administration of the State Highway Department under the present regime has been in practically every respect highly efficient. An examination of the office of the Highway Engineer shows that it is conducted in a thoroughly business-like manner, and there is little or nothing that could be suggested in the way of improvement in the administration of that department, either in its office at Santa Fe or throughout its six district organizations.

Most of the work of the commission is now on federal aid projects and there has been a great deal of discussion throughout the state as to the wisdom of building such expensive roads as have in the past been required under the federal aid regulations. These laws necessitate the meeting by state and county appropriations of the amount granted to the state by

the federal government for road building. The total of the federal aid available to this state under federal laws now in operation is \$4,389,794.61. Of this amount \$341,394.34 had been paid to the state prior to January 1, 1920. In order to secure the balance of these funds provisions must be made by the state to match them within a limited time. For this purpose laws have already been passed authorizing a three mill county levy and a one and a half mill state levy for the years 1919, 1920 and 1921, and it is the opinion of this commission that it will take something over a million dollars more money than now seems to be available, and it may be necessary in order to meet this charge to continue the present levies beyond 1921.

The commission has not yet fully determined to what extent the continuance of both of these levies will be necessary in order to provide funds to match the federal aid available under existing laws, and while we believe that such provision should be made we are strongly of the opinion that the levies and appropriations for road purposes should under present conditions be kept down to the lowest practicable basis.

The Highway Commission has furnished us with an estimate of the receipts and expenditures for the years 1920, 1921 and 1922. After some consultation we have made some amendments to this estimate, and as so amended it appears in full in Appendix XXIV of this report.

The charge for surveys amounts to about \$20,000 a year and seems rather high, but all the surveys for federal aid projects must be paid for by the state, and the requirements of the federal authorities in this respect are very stringent. The state has received equipment in the form of trucks and other material from the federal government to the value of about \$1,500,000.00; but this gift involves a large expenditure by the state for freight, sheds, packing and other expenses which will amount conservatively to \$25,000 a year for the three years.

The overhead maintenance cost of the Stanta Fe and six district offices of \$106,000.00 is not excessive. The charge of \$323,000.00 a year for maintenance patrols includes the cost of maintenance of all of the highways built, on a basis of keeping them up to their original standard. Whether or not this estimate can be reduced and the roads maintained on a proper basis, is a matter which the legislature should carefully examine.

It is undoubtedly true that the matter of road maintenance has not been enough emphasized in the past in the plans of the Highway Commission, as far as those plans have been made public. The present program of the Highway Commission con-

templates a 3000 mile road system in the state. If all the funds appropriated to the state under federal laws are made available by duplication through state appropriations, it is estimated that about 1500 miles of completed roads can be built including the roads already built with the assistance of federal funds. To properly maintain these roads will cost from \$100 to \$500 a mile; so it is probably conservative to estimate that these 1500 miles would cost in maintenance from \$300,000 to \$350,000 a year. The present plans of the Highway Commission contemplate the building, repair and maintenance of about 1500 miles of road in addition to the roads built with federal aid funds. These roads will be constructed in co-operation with the counties, and in forest reserves in co-operation with the Forestry Department. With 1500 miles of roads finished under the present program, with an annual fund of \$500,000 it is thought that the whole 3000 miles of system could be properly maintained; that is to say, that the 1500 miles of high class roads could be kept up, and 1500 miles more of other roads thoroughly put in shape and properly maintained.

We are of the opinion that the road program of the state should at this time be restricted to the lines above indicated. We, moreover, believe that some of the roads already constructed and now being constructed with federal aid are of a more expensive type than they should be. But after consultation with the Highway Commission we are convinced that the general policy both of the federal government and of the state authorities is now to adopt, as far as possible, a less expensive type of road construction than seems to have been the standard when the federal aid program was inaugurated. Many of the projects for new construction demonstrate this, and it is altogether probable that with the funds available a considerably greater mileage of good roads can be built than would have been the case if the original expensive standard of construction had been maintained.

Under the existing laws the federal projects are fairly distributed amongst the different counties, and while the present federal aid program when completed would by no means furnish all the highways necessary, it would result in a fairly complete road system for the whole state. Until that system is completed it will be practically impossible for the counties to spend any considerable additional sums for other construction, and it is in our opinion highly desirable that the counties keep down their expenditures for road construction during this period to as low a figure as possible.

The laws do not now contemplate complete co-operation between the State Highway Commission and the county authorities, and in this respect should be improved. From every

point of view we are of the opinion that the county road superintendents as created by Chapter 99 of the Laws of 1919, are entirely superfluous and should be discontinued. We think that the supervision of distinctly county road construction and maintenance, both independent and in co-operation with the Highway Commission, can be quite adequately met by the existing county authorities without the aid of the superintendents authorized by that law.

We therefore recommend that Chapter 99 of the Laws of 1919 be amended so as to abolish these county road superintendents, which at the present time are costing about \$50,000 a year; and that it be amended in other respects so as to bring about a more complete co-operation between the county authorities and the Highway Commission, and permit the county commissioners to arrange for the construction and maintenance of county roads on an economical and efficient basis.

The funds to be derived from the automobile licenses should constantly increase, and this fund with the gasoline tax and other possible sources of revenue outside of taxation should be sufficient under a conservative policy to bring down the tax levies for road purposes. It should be the constant endeavor of the state authorities to reduce these road levies to as low a point as possible.

This commission finds on the statute books laws providing for numerous tax levies for roads, which should be repealed. The county tax levy of two mills provided for in Chapter 99, Laws of 1919, is intended to cover the necessary levies for county road construction and maintenance, excepting certain special levies that have been provided for by the legislatures of 1917 and 1919 in certain counties. The provisions which the commission believes should be repealed are the following: Sections 2642, 2645, 2673 and 2712 of the 1915 Code; also Section 24 of Chapter 38 of the Laws of 1917.

State Health Department and Child Welfare Board.

The legislature of 1919 created a State Health department, providing for a board and a commissioner of health. Extensive powers were granted to the department for supervising health conditions and an appropriation of \$13,000 was made for carrying out the purposes of this act. This appropriation is found to be inadequate even with such aid as is granted by the federal government. The Commission is impressed with the importance of the work of this department under the management of the present commissioner, Dr. Waller, and his assistants. Some improvements in the present act, Chapter 85, Laws of 1919, are undoubtedly necessary in order to bring about the best result. Such improvements should

provide for greater co-ordination of local and state health agencies.

The Child Welfare board also created by the last legislature is doing a splendid service and in its first year has given ample proof of its importance. It is only to make its work more effective that the Commission recommends that it be made a division in the department of health. Its work will thus be kept in close touch with health activities with which it should be associated, and duplication of work and expense will be avoided. If this is done the Child Welfare board will not lose prospective federal aid, in view of the amendment to the Shepard-Towner bill whereby it is provided that the work shall be "carried on in such a manner as may be mutually agreed upon by the Federal Board and any state receiving the benefits of the act." The suggestion that the child welfare work be made a division of the state health department is in line with the practice in Florida, Idaho, Kentucky, Mississippi, Montana, Nebraska, Rhode Island, Virginia, West Virginia, Wisconsin and many other states.

It may be said that this arrangement is impracticable because "Child Welfare" includes other than health activities and that in its essential features it belongs to the educational functions of the state. If so there is additional danger of duplication in overhead expenditures. The fact stands out that if the child welfare board is kept as a separate state department, there must be the closest possible co-operation of this department with those of education and health.

In its proposed budget the state health department will ask for a total appropriation of approximately \$48,000. This is large when compared with other Rocky Mountain States considering population and wealth. Arizona appropriates \$19,700; Colorado \$50,850; Idaho \$58,300; Montana \$72,988.76; Nevada \$10,000; Utah \$41,000; Wyoming \$12,000.

The organization of the New Mexico health department comprises various divisions for which annual appropriations are asked as follows: Commissioner \$6,820; Vital Statistics \$3,780; Preventable Diseases \$5,280; Child Hygiene and Public Health Nursing \$3,600; Sanitary Engineering and Sanitation \$3,900; Laboratory (in co-operation with the University) \$2,600; Field Agent \$4,500. The total of these items is \$30,480. In addition \$510 is asked for equipment; \$300 for educational publicity material; \$4,510 for other miscellaneous expenditures, and \$11,994 for co-operation with the U. S. Government. The grand total of appropriations amounts to \$47,744 which seems large for New Mexico.

Attention is called to the number of employees apparently required, and it is suggested that some of these divisions be

consolidated. It appears to us that the keeping of vital statistics could be managed by the other members of the staff and it is a question in our minds whether or not a special field agent is required. Careful inquiry should be made by the Governor in making the annual budget as to the necessity for so large a staff. As to the appropriation of \$11,994 for co-operative work, we believe that arrangements can be made with the several counties to meet the federal aid granted and \$10,000 thus provided for. If these changes are made \$32,000 would meet the requirements.

It must not be overlooked that at the special session held in 1920, the legislature provided for the levy of not to exceed one-half mill in each county for health purposes. Here again a warning must be given that there is danger of building up an over-manned organization that will prove too expensive in comparison with services rendered. If this levy is made in all counties it is possible that as much as \$150,000 may be spent in local health work.

The act referred to should be amended so as to provide for a county health department to have charge of the whole county, including incorporated cities and towns. No separate levies should be made as between rural and urban communities, except in cases where the county authorities refuse to make the health levy. Under those circumstances, cities should be permitted to provide for the service separately.

During the seventh fiscal year ending November 30, 1919, this, the state health department, had an appropriation of \$9666.66 of which \$9665.70 was spent as follows: Salaries \$1885.82; Travel \$1137.19; Printing and stationery \$1515.83; Laboratory \$918.91; Telephone and telegraph \$111.64; Miscellaneous \$4096.31.

For the eighth fiscal year ending November 30, 1920, up to the present date, November 8, 1920, there has been expended a total of \$12,251.25 of the annual appropriation of \$13,000 for purposes as follows: Salaries \$6,356.36; Travel \$2534.31; Printing and stationery \$497.46; Laboratory, exclusive of salaries, \$1419.37; Telephone and telegraph \$310.56; Miscellaneous \$1133.19.

During the present year, in addition to the state appropriation of \$13,000, there has been available funds from various outside sources. The services of the commissioner have been provided for by the United States Public Health Service, his compensation and traveling expenses amount to \$4376.00. Supplementary compensation and traveling expenses in the amount of \$500 have been paid by the U. S. Government for the Chief of the Division of Sanitary Engineering and Sanitation. Franking privileges for distributing printed material have been

allowed in the amount of \$650.00. The Red Cross Society has paid the compensation and traveling expenses of a supervising nurse, \$3,600 being the annual allowance for the purpose. In addition, the state university has contributed approximately \$2000 for the maintenance of a bacteriological laboratory in connection with the department of Health and \$250 has been donated to the department. From the U. S. Government \$1757.62 has been received for co-operative work in connection with venereal diseases.

Beginning with November 1, 1920, the Interdepartmental Social Hygiene Board will detail a field agent at a salary of \$2,800 and expenses and also a clerk; additional workers may be added through co-operation with this agency. In addition, outside help to the amount of \$9000 will be granted by the International Health Board to pay salaries of three county health officers. A half dozen counties have made levies that will yield at least \$30,000 for health work within their respective borders. It will thus be seen that upon the present basis the State Health Department will have available annually for the next year or two approximately \$16,000.00 from outside sources for state work. When the compensation of the commissioner is assumed by the state, this amount will be reduced to \$12,000.00. In addition there will be from \$30,000 to \$40,000 available for health work in four or five counties of the state.

It should be noted that many nurses are employed in various cities and counties of the state whose salaries and expenses are paid from school funds. Some nurses are employed by Red Cross Societies and some through co-operation between such societies and county or city authorities.

These various activities to bring about sanitary and wholesome conditions are most commendable in their purposes and indicate the growing appreciation of the importance of health in the welfare of the state. It must, however, appear to all, upon a moment's consideration that there is grave danger of going beyond reasonable standards, if too many agencies are working along the same lines and in the same field. Full discussion of this problem is urged, in a conference of those interested to be called by the Governor, to the end that the public's support of these agencies in taxes and private donations shall not become an intolerable burden.

Mounted Police.

We recommend that Article 12 of the Compiled Laws of 1915, as amended by Chapter 94 of the Session Laws of 1919, providing for a state force of mounted police, be repealed. The appropriation for this purpose is \$50,000.00 a year which, in our opinion, is in the main an unwarranted expenditure

and should be discontinued. We are of the opinion that the activities of this organization have to some degree been useful in connection with the apprehension and conviction of cattle thieves. It has also been customary for the railroads, and some other large organizations, to secure mounted police commissions for their watchmen and inspectors, which has undoubtedly added desirable authority to such officers.

We suggest that with the repeal of the mounted police laws a new law be passed permitting the appointment by the Governor of not more than three state marshalls, to be responsible to the Governor and paid by the state a salary of not more than \$2,500 per annum each, and providing for a contingent fund of not more than \$2500.00 per annum; each officer to have the authority now vested in the mounted police.

We further recommend that by such new law the Governor shall have authority, whenever in his judgment he deems it necessary, to designate deputy state marshalls who shall serve without pay from or expense to the state; it being provided that such officers shall be commissioned by the Governor only when he is convinced that they may be necessary to preserve public order.

It should also be provided that these deputy state marshalls may be removed by the Governor for any cause. In this way we believe that the whole question of mounted police both from the standpoint of economy and efficiency would be fairly adjusted.

Supreme Court.

Your commission is reliably informed and believes it to be a fact that there is on hand a definite movement looking to the increase of the State Supreme Court to five members by the coming legislature. We are convinced that no such move is favored by the members of the court itself, but that, on the contrary they would be against it. There is at this time no need whatever for an increase in the personnel of this court and the increased cost which would amount to about \$15,000 per annum would be entirely unwarranted and properly resented by the taxpayers. The court as at present constituted is amply able to care for all the business that comes before it.

State Boards With Independent Incomes.

The following boards receive no appropriations, each deriving the necessary income from fees and licenses: Bar Examiners, Medical Examiners, Dental Examiners, Pharmacy, Optometry, Osteopathy and Embalmers. All of these boards handle

their own funds except the Board of Medical Examiners which turns all receipts into the State Treasury and makes all disbursements upon vouchers. It might be wise in order to secure uniformity and centralization of accounting to make a general requirement of this sort to apply to all boards.

(Note: See Appendices VII, XV, XVI, XVIII, XXIV, XXV.)

CHAPTER VI.

STATE INSTITUTIONS AND LAND OFFICE.

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CHAPTER VI.

INSTITUTIONAL COSTS.

It has not been possible for the Special Revenue Commission in the time and with the means at its disposal and with the many other duties directly delegated to it to make an exhaustive or thorough survey of the various state institutions. But no statement of the revenue needs of the state would be even approximately complete without a resumé of the conditions and requirements of these institutions, which constitute so important a part of our governmental establishment, necessitate so large annual appropriations and are so interwoven with the social and political life of our people.

In the appendix of this report are various compilations of financial data, giving the receipts and payments for the years 1915, 1916, 1917, 1918 and 1919 of these various institutions. These tables show totals for all the thirteen institutions and also in groups classified as follows:

I. EDUCATIONAL.

1. Agricultural College
2. University.
3. School of Mines.
4. Las Vegas Normal School.
5. Silver City Normal School.
6. El Rito Normal School.
7. Military Institute.

II. CHARITABLE.

1. Miner's Hospital.
2. Deaf and Dumb Asylum..
3. Blind Asylum.
4. Insane Asylum.

III. PENAL.

1. Penitentiary.
2. Reform School.

There are also tables grouping the income and cost payments of the first group of "Educational Institutions" into subheads as follows:

- A.—1. Agricultural College.
- 2. University.
- 3. School of Mines.
- B.—1. Las Vegas Normal.
- 2. Silver City Normal.
- 3. El Rito Normal.
- C.—Military Institute.

This sub-classification is for reasons which will subsequently appear in this report.

There is, we believe, no general disposition on the part of the citizens of New Mexico to question the necessity of maintaining at public expense the institutions classed above as "Charitable" and "Penal" Institutions, that is to say, the Insane Asylum, the Deaf and Dumb Asylum, the Blind Asylum, the Miner's Hospital, the Penitentiary and the Reform School. The only possible exception that might be made to this statement is as it relates to the Miner's Hospital at Raton, an institution which has been established by the state in the midst of the coal fields of Colfax County and is maintained at a total cost of about \$25000 a year, about \$15000 of which comes from direct legislative appropriations and \$4000 to \$5000 from the Income from State Lands. The reports of the Institution show that a considerable sum is derived from the fees of pay-patients and that the number of charity patients maintained is comparatively small. The large coal companies which practically cover the coal operations of Colfax county maintain their own hospitals. These are highly efficient and well conducted and their benefits are, as we understand, open to all company employees upon the payment of moderate fees. This amounts to a health insurance.

We apprehend that an investigation would show that the Miner's Hospital at Raton does not care for many disabled miners but that it is more in the nature of a local institution. While it is probable that the institution should be maintained as a state institution so as to retain the benefits accruing from the grant of one hundred thousand acres of land made by the Ferguson and the Enabling Acts we do not believe that the state is justified in continuing direct legislative appropriations on the present scale.

The Deaf and Dumb Asylum is established at Santa Fe and the Blind Asylum at Alamogordo. The Reform School is at Springer. The maintenance of two separate institutions for the Deaf and Dumb and the Blind is not in our opinion, necessary. In many states of much greater resources than ours the deaf, the dumb and the blind are cared for and educated in the same institution and it is generally accepted by those who have made a study of this phase of public charity that better results can be obtained by conducting these necessary public functions under one management. It is certain, too, that, with us, material economies as well as greater efficiency could be obtained by uniting the two institutions into one.

The total income of the Deaf and Dumb Asylum at Santa Fe for the year 1918 was \$30,561.65 and of the Blind Asylum at Alamogordo \$39,646.08. This makes a total of \$69,207.73 for the two institutions for that year of which \$53,624.36 came from direct state appropriations and about \$15,000 from Institutional Lands.

Details as to the Income and Cost payments of these institutions appear at pp. 118 and 119 of the Traveling Auditor's last printed report and for 1919 in the appendix for this report. A study of these statements must convince any one that material economies in administrative expenses could be at once effected by consolidating these institutions.

According to the estimates made by the Traveling Auditor in 1918 the physical valuation of the buildings and grounds of the Blind Asylum and Deaf and Dumb was \$45,000 and \$62,000, respectively. We believe that the best interests of the public would be served by consolidating the two institutions at Alamogordo and that the cost of the installation of a new building or an addition to the present buildings there would soon be met by the saving effected through the consolidation. (a) We further recommend as a measure of economy and administrative efficiency that the Reform School now located at Springer be removed to Santa Fe and that the buildings now used for the Deaf and Dumb Asylum be adopted for the use of this institution. We believe that the administration of this institution could be brought more in line with modern ideals and that it could be made to include more of the features of an Industrial School, through such a change.

We recommend that legislation to bring about these consolidations be enacted.

Penitentiary.

Your commission is firmly of the opinion that merely from an economic point of view and leaving out of consideration for the moment the social and moral aspects of the matter, the efficient and proper conduct of the state penitentiary is a matter of the most vital importance to every tax payer and citizen of the state. We are of the opinion that every step taken towards a more efficient management of that institution, towards a management more in conformity with the ideals and standards reached in many similar institutions in other states and other countries will be at once reflected in the social and economic conditions of the people of the state as a whole. We are convinced that the Institution is not being conducted and never has been conducted in a manner anywhere near approaching the proper standard now attainable for such institutions, or anywhere near as efficiently as might readily

be attained here and now if the penitentiary were taken out of polities and a reasonably up to date system of administration adopted. We are of the opinion that efficiency never can be attained until the penitentiary management is taken entirely and completely out of polities. In making this statement we do not wish to cast any stigma on the personnel of any management of the institution, past or present. There have been and are now excellent men, men of the highest standing, connected with the management of this institution, but they are greatly handicapped in their efforts to put the institution on a sound footing because of the fact that the wardenship and other administrative jobs are and always have been looked upon as political perquisites. Whatever may be said as to the "practical" necessity of considering the partisan and political bearings of appointments to other state positions it is, in our opinion, not only the height of folly from an economic viewpoint but a positive sin from a social and moral point of view to permit any considerations except the highest considerations of fitness and experience to enter into the selection of men who are to care for, guard, guide, and instruct those unhappy mortals whom the state under its laws, undertakes to reform and make into good citizens. We believe that the state penitentiary, under present conditions, is on the whole not a reformatory establishment in any sense of the word.

The penitentiary should be liberally provided for. The state appropriation of about \$70,000 per year is certainly not extravagant. This appropriation with what is derived from state lands and convicts' earning make up the total of approximately \$125,000 which is the average annual cost of maintaining the institution. The present Board recently had a qualified expert make a thorough examination of the institution and a full report made under the auspices of the Executive Committee of the National Committee on Prisons and Prison Labor has been compiled and will be presented by the Prison Commission to the legislature. We have had the advantage of seeing this report since we wrote the above general conclusions and we wish to most emphatically endorse the recommendations made in that report.

We herewith quote certain parts of that report and make them a part of our own report.

"General Administration.

Modern methods of training prisoners require that the staff of the institution be competent to act as teachers and foremen, rather than guards and turnkeys.

Men capable of training prisoners in hygienic modes of living and in efficient work habits cannot be secured

for the sum of \$45 per month, with food and uninviting living quarters. Nor can the right results be expected if the Superintendent's tenure of office depends upon his political affiliations and the length of the term of the Governor appointing him, rather than on his knowledge of modern scientific penology and the returns he is making to the state in reclaimed humanity.

If politics are to be the only administrative factor in making staff appointments, it is hopeless to look for efficient business administration.

The National Committee on Prisons and Prison Labor calls attention to the methods being developed in New Jersey where a non-partisan Board is in control of all the penal and eleemosynary institutions, the executive officers retaining their positions despite changing political regimes.

The Committee therefore recommends:

First.—That a non-partisan Board be created by the legislature to have control over all penal and eleemosynary institutions in New Mexico.

Second.—That the salaries of the Executive Officers of this Board, the wardens superintendents and staffs of institutions be made commensurate with those which could be earned if the individuals were employed in private undertakings."

The report recommends the employment of a larger and more efficient staff but states that the extra expenditure involved can easily be offset by the increase revenue from the labor of the prisoners if the men are stimulated to greater efficiency by reward for results obtained.

Continuing, the report says:

"The creation on the books of the State Comptroller (State Auditor) of a fund known as the prison industrial fund in which shall be deposited all moneys paid for products and labor from the penal institutions and from which shall be drawn money to pay for raw materials, the cost of operation and transportation charges. This fund shall also be available for the payment of interest on moneys secured through bond issue or loans for the installation of machinery and the equipment of work shops, brick plants, etc., and the redemption when due of such bonds or certificates of indebtedness as may be issued for the purpose.

The legislature should authorize the issue of bonds or other certificates of indebtedness to the amount of \$200,000 at the current rate of interest to be a first lien on the prison industrial fund."

The above recommendations we heartily endorse, as we do the plans of the committee for the improvement of the penitentiary equipment and installation.

These proposed plans are in brief:

1. The remodelling of the present cell-houses by throwing two cells into one.
2. The building of a new dormitory building to accommodate about sixty men.
3. The remodelling of the present central building for a physical plant.
4. A separate institution for women prisoners.
5. A new superintendent's residence outside the walls.
6. A new administration building.
7. The establishment of a new model brick plant with a capacity of from 25,000 to 40,000 bricks per day either at the present institution or near the clay pits to cost about \$75,000.
8. The establishment of the cement block industry. Cost about \$6800.
9. The establishment of ideal block manufacture. Cost about \$5000.
10. The installation of carpenter and machine shops. Cost about \$50,000.
11. Manufacturing of automobile tags.
12. Equipment for new blacksmith shop and foundry.

It is not proposed that all these improvements be at once installed nor would it be possible without the expenditure of large sums of money, but it is thought by the committee and we believe that with the expenditure of \$200,000 and the establishment of the prison industrial fund such increases in the net earnings of the institution could be brought about as would enable the complete installation of the improvements contemplated and the establishment of the new program of administration and industrial activities, without greatly increasing the annual maintenance appropriations by the state.

We hope sincerely this may be brought about and we commend the legislature's most careful consideration of the very illuminative report of the National Committee on Prisons and Prison Labor which we believe should and will mark the beginning of a new epoch in the prison administration of New Mexico.

State Educational Institutions and The Land Office.

From the standpoint of enlightenment, civic health and social progress the past is dead, or ought to be, except insofar as it may be invoked for the purpose of improving the present and safeguarding the future. The present is the great reality. It is now that we are living, but no present can approach perfection without such an insight into the near and remote future as will enable us to properly mold present conditions. In great and little things, personal and political, it is right to search the past for causes and probe into the future for results. This should be done with neither rancor or bitterness in one case, nor too extreme idealism in the other, and it should primarily be done for the purpose of bringing about present conditions which are right and will endure.

No system of government or party can long endure if it is controlled primarily by a restricted and limited expediency. Without vision and perspective, government, as life, must be a dismal failure.

Your commission is not inclined, nor does it deem it to be its duty, to discuss in detail the past actions of any of the state departments, and is only doing so insofar as it affects their present status and their future relation to the public welfare. The present status of the land office and the state educational institutions—as of all other state institutions—should, we feel, be our fundamental inquiry. After considering the matter from all its angles and for a long time, we are strongly of the opinion that from an administrative standpoint, the land office and the educational institutions must be linked together in any intelligent discussion as to present conditions and proposed administrative changes.

The federal land grants made to the territory and state of New Mexico by the Ferguson Act, and the Enabling Act, amount approximately to 12,000,000 acres. (See Appendix XX. List of grants by both acts.) This great bequest was in the nature of an endowment for various institutions and funds and the granting acts imposed strict conditions on the administration of the trust they created. The fundamental purpose for making these grants was to assist in the endowment of educational, penal, reformatory and other institutions in New Mexico, and was a continuation of a policy long ago adopted by the federal government in other states. While the administrators of this great trust must give due weight to considerations of how the disposal of the land is to affect the business and economic interests of our people, their controlling guide in that administration should, we are convinced, always be the best interest of the beneficiaries of the trust for which the state is acting as trustee. This point of view has not, we be-

lieve, been constantly enough borne in mind by those entrusted with the selection, administration and disposal of these lands. On the contrary, a study of the history of the territorial and state land offices indicates that the office has not kept this aspect of the functions sufficiently in mind. This is a matter of very great importance to the taxpayer because every cent the state might have earned but has failed to get out of these lands, has had to be made up by direct tax levies on his property.

One of the main causes, we feel, for this situation is that there has been no co-ordination between the administration of the lands granted for specific purposes, and that of the institutions for the support of which the grants were made. In any other line of business such a lack of co-ordination would undoubtedly lead to inharmonious and inefficient results. That is apparent on the face of it.

Convinced as we are of this truth we have attempted in studying problems of public institutional and land management in the state, to arrive at some methods whereby what we are convinced is this fundamental defect in the present system can be adjusted. We feel that the two questions are so interwoven as to make it necessary to consider them as one.

The State Land office has for a long time been a subject of much comment and considerable criticism. Recently a careful examination of the present condition of that office as far as the time and means at our disposal would permit has been made through this commission, by unprejudiced and competent examiners. This examination has not been in the nature of an audit but rather of a survey of the present condition of the department. A complete audit even since statehood would take a long time and a considerable sum of money. Neither the time nor the money is available to this commission. The final report of the above-mentioned survey is not yet ready but will be before the legislature meets and will be made available in printed form. A preliminary statement as to the office may, however, now be made.

The organization of the land office consists of the commissioner, assistant commissioner, eight men employees and six women employees. At present the work is so arranged that all the office work is under the direct supervision of Mr. Griffin, the chief clerk; and the Assistant Commissioner, Captain Muller, very largely exercises the functions that should be exercised by the commissioner. The latter is away a great deal of the time and practically no questions are put up to him for decision.

In general it may be said that selections are under the supervision of Capt. Muller and Mr. Griffin; oil leases under

Mr. Barker; agricultural and grazing leases under Mr. Paul; sales of land under Mr. March; and that each of these employees acts to a large extent on his own initiative without much of any check or supervisory direction.

The office work in connection with land matters is generally handled in a satisfactory manner although there are some details which should be and probably will be amended. The tract books now in use are very poorly designed, and new ones should be installed. This will cost considerable money but should be done. Mr. Ervien, the first commissioner, evolved a plan requiring applicants for the purchase of land to file a deposit as evidence of good faith. The use of the funds resulting from these deposits has caused a great deal of comment throughout the state. This deposit until recently was by law ten per cent of the purchase price, but under the new law, except for lands given for the benefit of the Grant and Santa Fe counties railroad bonds, it has been reduced to five per cent.

As is well known, this money has all along been held in escrow for the depositors and at one time amounted to nearly three quarters of a million dollars. During the past year or so it has been reduced so that on October 1st of this year it amounted to \$317,615.25 (including amounts deposited on oil leases). According to the statement of the Assistant Commissioner, it is now the policy of the office to refund on application to the depositor not only the difference between the ten per cent and the five per cent, but also the total amount of the deposit on condition that the applicant leases the land, except in cases where the application is for a small parcel of ground not contiguous to other state lands. If this is so it is a good policy and should be pursued. It is certainly a fact that even though the office may now be making refunds of these escrow deposits, the bankers and perhaps others have profited through the use of this money in the past. There is no reason why the banks should not now be required to pay interest on these funds. Undoubtedly a good plan would be to refund the total amount and take surety bonds in place of the deposits. It is well known that the land office itself has not collected interest on this escrow fund. It is now stated by the land office that the office should have collected interest and returned it to the depositors. It is certain that the fact that interest was not collected on the funds has caused reflection upon the commissioner; the reflection being that the banks were paying him interest, or that he was profiting politically as a result thereof. There is no doubt in the world that the commissioner has profited politically in this way.

There has been a good deal of discussion and controversy

as to what the policy of the office should be in regard to the selling or leasing of lands. Mr. Ervien was strongly of the opinion that as much land as possible should be sold, but it is apparently the policy of the present management to endeavor to lease rather than sell. We are of the opinion that, always bearing in mind that the creation of endowment funds for the support of trusts created by Congress, is the fundamental duty of the office, a combination of selling and leasing policy is desired.

The sales themselves should be conducted so as to bring the greatest possible benefit to these trust funds. This should be the controlling motive. As they are now conducted, the applicant has by all means the greatest opportunity to secure the land at his own figure. If he has made any improvements on the land, the purchaser must pay him for the value thereof; if the improvements are extensive it is almost a foregone conclusion that the applicant will get the land at the minimum figure. On the other hand it is not a general rule to require deposits of bidders at land sales. This is unfair to the applicant for two reasons; first, he made a deposit when he made application for the land, and this may have been four or five years before the sale; second, irresponsible persons may thus be permitted to bid and run up the price. The policy of the office in refunding deposits is a good one, but it should be required that all bidders at a public sale, prior to the time of sale, make a deposit of at least the minimum bid. This is the practice followed in the sale of oil leases and there is no reason why it should not be followed in the sale of lands.

It is suggested that it would be advisable to enact a law making it a misdemeanor for bidders to conspire to suppress bidding. Another safeguard to the state would be to require a minimum bid which would be ample compensation for the land in case there was but one bid at the auction. This perhaps cannot be done properly until all the state lands have been classified, although it is believed that the land office could through its present knowledge of the value of lands in the different sections, raise the minimum bid so as to accomplish approximately the desired result.

There have been a great many different policies followed in the issuance of oil leases. These have been changed from time to time because of the pressure of public opinion. The original policy seems to have been to make as many oil leases to cover as large an area as possible, and little care or discretion was exercised in their issuance. The early leases were made in typewritten form and there were three different varieties. Some of these provided for the payment of about \$1000 for the first year with payment for subsequent years of one

hundred dollars a section; others permitted the payment of a small sum for the first two years. Most of these early leases contained no provision for drilling of a well within a specified period or other evidence of good faith on the part of the lessee, nor did the state reserve any set-offs therein. This failure to reserve set-offs for the state in the lands leased for oil is a striking demonstration of the lack of foresight and care in disposing of such important rights in state lands. It is true that if oil be discovered on state lands covered by leases, nowhere near as much would be realized therefrom as if the leases had been made with proper care and discrimination.

There have been five different kinds of printed leases, ranging in terms from the most liberal to the most exacting.

The early leases, as is well known, were not advertised, and it appears that certain persons holding such leases felt that they were not safe in their leaseholds and therefore asked the state to advertise such leases for sale. Capt. Muller states that the state land office did so advertise six or eight such leases, but that in doing so it laid itself open to a very embarrassing situation as follows: Assume that a lessee was not able to bid as high as a competitor, and therefore lost his lease. The original lessee, however, finding himself beaten, could take the stand that he had the original lease and that he would not give it up inasmuch as it had never been proved invalid. As a result of this discovery, Capt. Muller states, the land office has never since readvertised such leases without having first secured the relinquishment of the unadvertised lease by the original lessee, thus placing all bidders upon exactly the same footing.

Leases issued more recently have been more stringent in their requirements. A lease sold the first part of October brought seven cents an acre for the first year.

If the trust funds are properly protected in the granting of these oil leases no one can dissent from a policy which will actually result in bringing about real oil development in New Mexico, but what the people demand is that there shall be no discrimination in the disposal of these rights and that they be so disposed of as to give the greatest possible results to the state and its institutions. Exploration on state lands will not be encouraged, or the funds enriched, unless there is inaugurated in the office a much better conceived and more business-like policy than has yet been the case.

Opportunities have no doubt all along existed, not only in connection with the sale of oil leases but in connection with approvals of all kinds, for the employees in the office to profit through knowledge gained in the transaction of their official duties. It would be very simple indeed for any one in the

office to ask some one outside to secure one of the low-priced leases on certain lands, and then through the assignment of this land at higher prices to profit financially. Whether or not anything of that kind has actually been done we are not prepared to say, and believe it can only be finally determined by judicial inquiry. Whether or not such inquiry should be inaugurated is for the legislature to determine.

Through a recent amendment of the statute the state is given the right to make oil leases not only on unoccupied land but also on land leased for agricultural or grazing purposes and on land purchased on land contract. Several leases of this kind were made upon lands under contract, and as a result action was brought in court to restrain the state from making such leases. The Attorney General gave a verbal opinion that the land office had better hold the rental paid on oil leases on land under contract and not turn it over to the institutions which should properly benefit therefrom. As a result of such verbal opinion the land office has withheld from distribution moneys paid as such oil rentals. The money so paid amounted on October 1st to \$271,610.74. In the want of a more conclusive opinion than that mentioned above the land office could well have assumed that this money was state money and turned it over to the institutions. In any case if it was not turned over, the commissioner should undoubtedly have secured interest from the banks in which it was deposited, but no such request upon the bankers has been made.

The approval of applications for oil, agricultural and grazing land and applications for sale of lands is left very largely in the hands of the particular employee who handles these respective activities. It is wrong to place such responsibility upon one man, not only from his own point of view but because the office is not amply safeguarded as a result thereof. The fact that the various employes sometimes confer with each other or the assistant commissioner, does not really alter the situation. It should be provided that these decisions should be referred to a commissioner or some higher authority if such authority were substituted in lieu of the commissioner. Manifestly if this is done this higher authority must be such a one as is qualified to pass on such questions.

Analysis of Status of State Lands.

Because of the large number of leases and sales, and because of the indefinite situation resulting from the fact that the United States Land Office has not as yet approved many selections, it is practically impossible to determine what is the present status of state lands. Capt. Muller states that not half of the state lands have been leased for oil. There is

no way of either checking or disproving this statement. It is stated that there are perhaps 125,000 acres of land which are still available for use as base in indemnity or lieu selections, in addition to the twenty sections claimed as mineral by the United States Land Office, but being contested by the state. It is also impossible to check or disprove this statements.

The land office prior to the preparation of its annual report will be obliged to analyze its tract books to arrive at figures for the total area of state lands, total lands clear listed, total selected but not clear listed, lands sold, lands leased for grazing purposes, lands leased for agricultural purposes, etc.

The equipment of the office is good, but is cramped for space. Additional space would be desirable. As to personnel it is over-staffed. Three or four of the present employes could be advantageously dispensed with.

Maintenance Fund.

See. 5183, Revised Statutes, provides that "twenty per cent of the income derived from any state lands * * * * shall constitute a fund to be known as the State Land Maintenance Fund."

Sec. 5184 provides that "all salaries and expenses of the State Land Office shall be paid from said State Lands Maintenance Fund. * * * *"

Sec. 5185 provides that "any balance remaining in said State Lands Maintenance Fund * * * * shall be reapportioned * * * * among the several funds from which derived."

Paragraphs one and two of Seetion 10, Enabling Act, however, provide in substance that disposition of state lands or any money derived therefrom for any object other than that for which such lands were granted or confirmed, or in any manner contrary to the provisions of this act, "shall be deemed a breach of trust."

The theory advanced by Mr. Barker, Law Clerk of the Land Office, as to the legality of the use of the Maintenance Fund, as provided by Secs. 5183, 5184 and 5185, above, is that the creation of a trust also carries with it the right to pay for the administration of the trust from income received through its administration.

This may or may not be the legal view. In any case it would be a great deal better plan to require that all income received from the administration of State Lands be turned over to the State Treasurer for the use of the several beneficiaries, as provided in the Enabling Act; and that the salaries and expenses of the land office be appropriated by the General Assembly in the appropriation act.

Enough has been said, we think, to confirm an opinion

that the main difficulty in connection with the administration of this office,—the fact which has, more than any other, given rise to the conditions which have been a source of controversy—is that it has not had a satisfactory directing head. However good the technique of the office, and in most respects it is good, it is evident that without competent direction and a clear forceful, clean-cut policy it cannot properly administer the great trust imposed upon it.

The past two years have been the most important in the history of the office; the next two will in all probability be more important still. Many thousands of acres of land have been sold, millions have been leased for grazing, millions leased for oil at nominal sums. Owing to careless selections in the past the present value of the state land endowments is no way near what it should be. This is an error that cannot be remedied but it accentuates the importance of making the best possible use and disposition of what we have. The next few years will be vital in the history of the land office especially if as we hope will be the case, oil is discovered in the state.

It is, in our opinion, vital to the tax payers and essential to the best interests of the state that a change in the system of supervising direction of this department be brought about.

It has been clearly demonstrated we feel, first, that whatever shortcomings there may have been in the conduct of the office in the past have been very largely due to the lack of competent direction; and second, that the dangers of recurrence or continuance of any bad conditions in the future will not be eliminated unless some way is provided for securing a really efficient and constantly vigilant overseeing directorship. It seems that this cannot be accomplished under the established system. Our suggestion as to how it can be accomplished will appear later in this report.

State Colleges and Schools.

In addition to the thirteen State and Educational Institutions listed on page 101 of this report, are the State Museum and the Child Welfare Home at Santa Fe, and the Girls' Welfare Home at Albuquerque. There is some comment on the Child Welfare Board in our remarks on the State Board of Health.

Grants of land were made by the Ferguson Act in 1898 by Section 7 of the Enabling Act for the support of such schools but those grants did not in themselves specify their location.

Section 7 of the Enabling Act reads in part as follows:
“ * * * the following grants of land are hereby made,
to-wit:

For university purposes, two hundred thousand acres;

* * * for normal schools, two hundred thousand acres; * * * for agricultural and mechanical colleges, one hundred and fifty thousand acres; * * * for school of mines, one hundred and fifty thousand acres; * * * for military institutes, one hundred thousand acres."

The seven educational institutions above listed, as well as the Deaf and Dumb and the Blind asylums at Santa Fe and Alamogordo, respectively, were already established in their present locations when New Mexico was admitted to statehood and were confirmed as "state educational institutions" by Section 11 of Article XII of the Constitution in the following terms:

"See. 11. The University of New Mexico at Albuquerque, the New Mexico College of Agriculture and Mechanic Arts near Las Cruces, the New Mexico School of Mines at Socorro, the New Mexico Military Institute at Roswell, the New Mexico Normal University at Las Vegas, the New Mexico Normal School at Silver City, the Spanish American School at El Rito, the New Mexico Asylum for the Deaf and Dumb at Santa Fe, and the New Mexico Institute for the Blind at Alamogordo, are hereby confirmed as state educational institutions. The appropriations made and that may hereafter be made to the state by the United States for agricultural and mechanical colleges and experiment stations in connection therewith, shall be paid to the New Mexico College of Agriculture and Mechanic Arts."

Sections 12 and 13 relating to the same matter are as follows:

"See. 12. All lands granted under the provision of the act of Congress entitled "An Act to enable the people of New Mexico to form a constitution and state government and be admitted into the Union on an equal footing with the original states; and to enable the people of Arizona to form a constitution and state government and be admitted into the Union on an equal footing with the original states," for the purposes of said several institutions are hereby accepted and confirmed to said institutions, and shall be exclusively used for the purposes for which they were granted; provided, that one hundred and seventy thousand acres of the land granted by said act for normal school purposes are hereby equally apportioned between the three normal institutions and the remaining thirty thousand acres thereof is reserved for a normal school

which shall be established by the legislature and located in one of the counties of Union, Quay, Curry, Roosevelt, Chaves or Eddy."

"Section 13. The legislature shall provide for the control and management of each of said institutions by a board of regents for each institution, consisting of five members to be appointed by the governor, by and with the advice and consent of the senate, for a term of four years, and not more than three of whom shall belong to the same political party at the time of their appointment. The duties of said boards shall be prescribed by law."

At the Constitutional Convention there was, we are informed, some discussion as to the advisability of confirming these institutions by constitutional enactment to any particular localities. By so doing any effective change in the organization of our state higher educational system is out of the question without constitutional amendment.

As preliminary to legislation looking towards any re-organization, centralization or consolidation of any of these institutions, or towards any change in their methods of control and management, these sections of the Constitution must be amended.

As it now stands there is no flexibility—there is little chance of improved conditions if, through scattered efforts and limited means, efficiency proves impossible of attainment under the existing system.

That the present system—or lack of system—has in many respects proven to be ineffective and unsatisfactory from an educational standpoint, has been already fully demonstrated.

That it is extravagant and wasteful from an economic standpoint is equally true. The people—who pay the bills—are not getting their money's worth—and from this angle the problem cannot be passed over by this Commission.

It is stated that the Revenue Commission and the Taxpayers' Association can look at none of these problems except from the standpoint of money cost—that we have no vision—are narrow and sordid in our point of view. It is true that the main task of the Revenue Commission is to try to find ways for equitably distributing the tax burden, to bring about efficient administration, to find methods of raising money to pay the bills, but this does not imply that we are either bigoted or unsympathetic in our attitude towards education.

On the contrary, we are fully convinced that an effective re-organization and consolidation of some of these institutions would not only result in lessening their cost to the taxpayers but in greatly increasing their efficiency as educational estab-

lishments. There is no doubt about this. No one who has given the question any thought can honestly deny it. No one qualified to pass upon the matter, whether he considers it from an academic or an economic standpoint can honestly say that, considering New Mexico's present and prospective resources, the three institutions in the Rio Grande Valley can ever separately become really efficient as a university, a school of mines and an agricultural college. No one believes that they can ever, under the present system, attain the standard or come anywhere near attaining the standard set for institutions of higher education going under the names attached to them.

If, in the final analysis, the considerations which are to determine the permanent status of any or all of these institutions, are merely considerations of local jealousies and sectional pride—if there are, after a careful canvass of the situation, found to be enough people in the state who feel that all of these institutions should be maintained indefinitely in their present unsatisfactory condition, because they are already located in certain places, then, of course, there is no reason for securing constitutional amendments with a view of bringing about consolidation or even re-organization in any respect whatever.

However, we do not believe that such is the situation. We do not believe that the people of the state as a whole are satisfied to let the matter rest in its present status. We think they should be given a chance to express themselves on the question and that the right way to bring the matter fully and intelligently before the voters for debate and discussion is by the submission of a constitutional amendment, so changing the articles of the Constitution above referred to as to subsequently permit of such changes as may be thought desirable by the legislature or demanded by the taxpayers.

This is not the place nor the occasion to go fully or in great detail into the statistics of cost, maintenance and administration of these various institutions. The question is only one of many your Commission has had to consider. In the appendix to this report, however, appear certain tables in regard to the receipts, expenditures, appropriations, unit cost of maintenance, enrollment and other data to which we earnestly invite your attention. The seven institutions naturally divide themselves into three groups:

- I. The University.
The Agricultural College.
The School of Mines.

- II. The Las Vegas Normal.
- The Silver City Normal.
- The El Rito Normal.
- III. The Military Institute.

One table shows the receipts and expenditures of these institutions separately and by groups. Other tables demonstrate very clearly on their face, especially in connection with the first group, the high per capita cost, the almost hopeless situation arising because of duplication in scattered schools of small departments and the great waste in overhead.

Possibilities for consolidation, it is believed by the Commission, are found among the educational institutions whereby the number of such institutions may be reduced from seven to four with a lessening of expense of maintenance and an increase in efficiency. The adjustments recommended involve, (1) the consolidation of the University, the College of Agriculture and Mechanic Arts and the School of Mines, and (2) the transfer of the functions of the Spanish American Normal School to the Normal University at Las Vegas. As to whether there should be further consolidation of the Normal Schools should be a subject of careful investigation.

I. The University, the College of Agriculture and Mechanic Arts and the School of Mines.

The University of New Mexico located at Albuquerque, the New Mexico College of Agriculture, located at State College two and a half miles from Las Cruces, and the New Mexico School of Mines located at Socorro, constitute the higher education system of New Mexico. These institutions were created by acts of the territorial legislature in 1889 and were confirmed as state educational institutions by the state constitution adopted in 1910. Situated in the Rio Grande Valley, upon the line of the Santa Fe railway system, the School of Mines is about seventy miles south of Albuquerque, and the College of Agriculture and Mechanic Arts approximately 125 miles south of the School of Mines.

Property of the Three Institutions.

According to an investigation made by the Taxpayers' Association of New Mexico in 1916, the value of the fixed property at the three institutions was as follows:

University	\$211,326.59
College of Agriculture	380,640.67
School of Mines	135,249.99
	<hr/>
	\$727,217.25

A later study made by the Traveling Auditor shows property values as of 1919:

	Building	Furniture, Fixtures, Equipment	Other Realty	Total
University	\$275,000.00	\$ 66,981.76	\$40,000.00	\$381,981.76
Ag. Colloge	385,810.00	237,238.00	38,950.00	661,998.00
School Mines	114,000.00	35,421.66	5,000.00	154,421.66
Total	\$774,810.00	\$339,641.42	\$83,950.00	\$1,198,401.42

If the lands granted by the Federal Government in 1898 and in 1910 be taken into consideration and valued at \$4.00 per acre, additional assets would appear as follows:

The University	311,080 acres	\$1,344,320.00
The Ag. College	250,000 acres	\$1,000,000.00
School of Mines	200,000 acres	\$ 800,000.00

The University has also certain saline lands valued roughly at \$100,000.00.

Students.

The University enrollment for the last year was 284, that of the School of Mines was 90 and the College of Agriculture and Mechanic Arts 487. Of the total of 861, 499 are listed as of college grade, 284 at the University, 142 at the College of Agriculture and 73 at the School of Mines.

A close study made in the fall of 1916 showed 203 college students at the University, 93 at the College and 32 at the School of Mines, a total of 328. In the four years there has therefore been an increase in the number of college students of about 40 per cent in the three institutions.

Besides college students there were some irregular students of sub-college grade at the University, 357 of secondary preparatory school grade at the college and 17 at the School of Mines. The University had also 119 persons registered for lecture courses given by members of the faculty of the institution.

Distribution of Students.

In the study of 1916 it was found that students from the county in which the institution is located constituted 53 per cent of the enrollment at the University, 46 per cent at the College and 17 per cent at the School of Mines. For the last year such students were about fifty per cent of the enrollment at the University, 25 per cent at the College and 40 per cent at the School of Mines.

In 1916 students from other counties in New Mexico constituted 35 per cent of the enrollment at the University, 33

per cent at the College and 30 per cent at the School of Mines. In 1920 the per cents were respectively 32, 50, 11. Students from outside New Mexico in 1916 were 12 per cent of the enrollment at the University, 21 per cent at the College and 53 per cent at the School of Mines. In 1920 the corresponding per cents were 18, 25 and 49.

Unit Cost of Maintenance.

The gross cost of maintenance per student at the University in 1916 was \$440.00; at the College \$509.00 and at the School of Mines \$1100. In 1920 the gross cost of maintenance was \$430.00 at the University, \$536.00 at the College and \$610. at the School of Mines. The estimates for the Agricultural College do not include expenditures for Extension and Experiment Station purposes.

Courses of Study.

The number of courses listed at the University for 1920 was 268, practically all of college grade. At the College of Agriculture and Mechanic Arts 288 courses were offered including full sets of courses in secondary school subjects. At the School of Mines 175 courses were offered. In all three institutions similar courses are offered in mathematics, physics, chemistry, the various branches of engineering, and to a certain extent in English and Spanish. Many other courses are duplicated at the University and the College.

Enrollment and Attendance.

As to the enrollment in the various courses, the 1916 figures revealed that 216 courses were given at the University, 45 per cent of which had five or fewer students enrolled, 29 had from 6 to 10 students and 26 per cent had more than 10 students. At the College 206 courses were given of which 47 per cent had five or fewer students enrolled, 23 per cent had from 6 to 10, and 30 per cent had 11 or more. At the School of Mines 66 courses were given, of which 53 per cent had five or fewer students, 41 per cent had from 6 to 10 students, and only 6 per cent had more than 10. For 1920 figures are not yet available for the University and the School of Mines. The College of Agriculture reports 177 courses given of which 56 or 32 per cent enrolled five or fewer students; 32 courses, or 12 per cent enrolled from 6 to 10; 89, or 56 per cent, enrolled 11 or over. In 1916 the average number of students attending each class was 8.8 at the University, 10.8 at the College and 5.3 at the School of Mines. The average number of periods taught by each instructor per week was 19 at the University,

18.5 at the College and 25 at the School of Mines. The unit cost of instruction per student per class period was 27 cents at the University, 21 cents at the College and 38 cents at the School of Mines. Because of the lack of information for 1920, corresponding figures cannot be submitted for that year, but it is probable that somewhat better attendance and consequently a little lower instruction cost prevailed.

Recommendations as to Consolidation.

In view of the facts and figures above given, the Commission finds no sufficient justification for the state's maintaining three institutions of higher learning. By combining them, an institution of respectable proportions can be built up with a competent corps of instructors and a body of enthusiastic students. The overhead expense can be greatly reduced. The amount required for salaries may be as much as a third less than at present and still provide amply for sufficient instructors and adequate salaries. Duplication will of course be eliminated as well also the duplication of buildings and equipment. If the consolidated school shall be placed at a central point there will be a material saving in traveling expenses both for students and for the institution. The maintenance cost of one institution will be much less than for three. So long as there are three schools such appropriations will be made reluctantly and only to meet emergencies. There is a general feeling throughout the state that consolidation should be effected and this gives rise to a feeling on the part of legislators that present conditions are not permanent; hence their unwillingness to make further permanent investments in these institutions.

The objection may be urged that the state has already invested heavily in land, buildings and equipment at these institutions. In the event of consolidation it is not believed that material loss would result. Equipment can be moved, land can be sold, and even buildings may be disposed of without great sacrifice. Whatever loss there may be will be more than offset by the savings in maintenance cost through the years of the institution's life.

II. The Spanish American Normal School.

This institution is situated in a remote village 25 miles from a railroad station. Its function is to train teachers for their work in Spanish-American communities. In 1916 there were 81 pupils enrolled, of whom 72 were residents of the county in which the institution is located; 77 of the total of 81 were of elementary grade and only four of high school grade. In the past school year a larger proportion of the pupils were

of high school grade and the representation from other counties was larger. Exact figures are being secured for comparative purposes. The institution was established in 1909, and has not yet after a decade given conclusive evidence of realizing the hopes of its sponsors. Several principals, some of them very capable, have been unable to attract and hold students in the institution. It would seem, therefore, that the functions of the Spanish American Normal School, insofar as they pertain to the training of teachers, should be transferred to the Normal University at Las Vegas. Better still let the Normal University at Las Vegas and the Normal School at Silver City open departments for training teachers for rural schools with special courses for the benefit of those who are to teach in Spanish-American communities.

III. Courses in The Normal Schools.

It is recognized that normal schools have to maintain high school departments so as to afford opportunities for teachers to secure academic training at the same time that they are pursuing their professional courses. It is also necessary for such institutions to maintain an elementary school in charge of eritic teachers in which students may observe methods and find opportunities for actual teaching under supervision.

The function of state normal schools is held to be the training of teachers for rural and elementary schools. For this purpose it is felt that provision should be made for two years of training in addition to the usual four years of high school. It is not believed that the third and fourth years of college work are a necessary part of the Normal School functions. Should advanced work be desired, or if the teacher is preparing for work in high schools, she should attend the University where courses suited to her needs will be found in the department of education.

By restricting the function of normal schools as indicated, it may be found possible for these instututions to meet the great need that now exists in the state—that of trained teachers in our rural schools. Every inducement should be exerted to the end that in the course of ten years every teacher in the state should have a normal training. Until this is brought about these institutions should not expand the scope of their work to include the two upper college years.

A similar recommendation is made as to the New Mexico Military Institute. No effort should be made by that institution to expand its courses beyond the second year above the accepted high school or preparatory school curriculum. The two upper years of college course should be concentrated at the University.

Your Commission is fully alive to the difficulties of bringing about any changes in the present organization of the schools and fully aware that the subject should be approached with great care and given the fullest consideration. The Taxpayers' Association of New Mexico has secured the aid of three very highly qualified educators, who are devoting their lives to these very problems, to make a preliminary survey of our particular situation. One of these gentlemen has already made a preliminary reconnoissance of the situation and visited most of the institutions. It is a pleasure to testify that he was received most cordially and proffered the hearty co-operation of the heads of all the institutions he visited, and that he found much to commend in many of them. These inquiries will be continued by the Taxpayers' Association and through them your Commission hopes to have before the meeting of the legislature further data which will bear directly and intelligently on the problem as a whole.

We recommend to the legislature the passage of a Joint Resolution for the submission to the voters of the state of the following amendment to the Constitution:

"JOINT RESOLUTION No.

Proposing Amendments to Article V and Article XII of the Constitution of the State of New Mexico.

Be It Resolved by the Legislature of the State of New Mexico:

Section 1. That Section 1 of Article V be amended by striking out therefrom the words "Commissioner of Public Lands."

Section 2. That Article XII be amended by adding thereto the following:

Section 14. The state educational institutions mentioned in Section 11 of Article XII may hereafter be merged, consolidated, re-organized and re-located by the legislature which may, by law, provide for the control and management of all educational institutions by a single board of five regents to be appointed by the governor by and with the advice and consent of the senate, not more than three of whom shall belong to the same political party and whose terms of office may be fixed by the legislature to terminate at different times, provided that no term of any member of such board of regents shall exceed six years but all members of such board of regents shall be eligible to reappointment.

Section 15. The legislature may abolish the office of Commissioner of Public Lands and may provide that all powers and duties now by law pertaining to the office of Commissioner of Public Lands shall be performed by the Board of Regents of the State Educational Institutions herein provided for; the legislature shall also have power to amend, repeal or modify in such manner as to them may seem desirable all laws relating to the public lands; provided, however, that all such amendments, repeals or modifications shall be in accord with the legislation of Congress granting the said lands; and provided further, that none of the educational institutions herein mentioned shall be abolished by the legislature without the consent of the Congress of the United States."

The proposed amendment to Section 1 of Article V is intended merely to deprive the office of Land Commissioner of its status as a part of the constitutional executive department of the government, and it is an essential part of the scheme to vest the legislature with power to carry out the recommendations of the commission without devolving upon them the duty to do so. It may be accepted as a demonstrated fact from the data presented with the report that a single board of regents for all of the educational institutions of the state without departure from the present method of administration of those institutions would result in a large saving to the taxpayers because of the fact that such a board would view the needs of the various educational institutions from the standpoint of the power of the state to provide, and the relative importance of the necessities of the various institutions, whereas, under the present system of separate boards a struggle and rivalry between the various institutions, each getting the largest possible appropriation, is constantly exercising a pressure upon the members of the legislature against the wise and economical distribution of the available resources, an excessive appropriation in favor of any one of the institutions being used as a lever to increase the appropriations of all the others and a necessary appropriation for one is frequently urged as the basis of an unnecessary appropriation for another.

The Commission is justified in recommending this amendment solely upon the ground of the increased efficiency and economy of administration which would necessarily flow from the adoption of this method whether any change was ever hereafter made in the location of the institution or in the consolidation of any two or more of them.

It is obvious, however, that in submitting an amendment to the constitution which will enable the legislature to adopt

any or all of the recommendations of the commission, the amendment should be broad enough to meet the exigencies which may arise as to the result of the first experiment; for instance, if a single board of regents produced the good results which the commission believed it would produce, it would doubtless appear to be the part of wisdom to enlarge the scope of the powers of this board of regents and to invest them with full authority over the lands granted by congress for the support and maintenance of these institutions. A board of regents which stood in the relation of actual trustees for the institutional beneficiaries of the bounty of congress, might well be expected to approach the duty of administering public lands with a much more serious sense of the importance of that duty than could be expected to influence a commission of public lands nominated as a reward for partisan political services and elected in part, at least, by the influence and votes of persons expecting and desiring favors from the land office.

A board of regents charged with the management of the educational institutions and the administration of public lands would render such service to the state as would justify the state in securing a board of high class men who should devote their entire time to this very important branch of the state's administration, each member of which board might well be paid adequate compensation for his services to the state. It is believed that such a board so selected and paid will not only result in present pecuniary economy in administration but would be of incalculable benefit in the preservation and conservation of the landed resources of these educational institutions.

Should oil be found upon any of these lands the importance, nay, the necessity, of some such scheme as is here outlined would become immediately obvious. Again, a single board of regents managing the educational institutions and administering the public lands might very well produce such results in the way of economy and efficiency of administration as would incline the taxpayers and the people of this state to accept the opinion of that body as to the wisdom of further changes in methods of administration, or might even compel the conclusion that any suggestion deliberately made by such board of regents would be entitled to be fully tried out by such legislative means as might be adequate to a complete adoption of any suggestion of the board of regents. In the event that the board of regents thought it wise to consolidate two or more of these educational institutions or to change the location of any one of them, it seems to this commission that any constitutional obstacle to such an accomplishment should not be permitted to remain. Indeed we urge not that the constitution be amended so as to require the legislature to do any

of the things recommended or suggested by the Commission, we do urge that every constitutional obstacle to the doing of such of those things as may commend themselves to the wisdom of the people's representatives shall be removed and to that end, and to that end only, we submit this constitutional amendment.

In order to bring about an adequate adjustment of the administration of the land office and the state institutions, educational and otherwise, your Commission presents the following program for your consideration:

1. The consolidation of the University, the Agricultural College and the School of Mines into one institution, to be called the University of New Mexico.
2. The consolidation of the three Normal Schools into one or two Normal Schools, as may be found advisable.
3. The creation of a new board to be called the Institutional and Land Board, which shall have control of the present educational institutions as now constituted or as they may be constituted on consolidation, and of the Deaf and Dumb, and Blind schools, and the Miners' Hospital—and the abolition of the present separate boards for these institutions. This board also to have the control and management of all the state lands—and the State Land Office in lieu of a Commissioner of Public Lands.
4. The abolition of the office of Commissioner of Public Lands.
5. The creation of a new board to be known as the Penal and Reform Board, which shall have control of the Penitentiary, the Reform School and the Insane Asylum and the discontinuance of separate boards for these institutions.

As the necessary or preliminary step toward the consideration of all or part of such a program, we recommend the immediate passage of the amendments to the constitution above specified.

As a matter of interest to the legislature there is included in the appendix to this report a letter from H. F. Stephens, Auditor of the Taxpayers' Association, to the President of the Association, giving a summary of a report on the State Agricultural College. This report was made by the State Traveling Auditor with the assistance of the Taxpayers' Association upon the request of the Governor.

The Agricultural College has been the subject of much controversy throughout the state and this summary will serve

to clarify the situation. It vividly demonstrates how difficult it is for any of these institutions, under the present system, to stay within their authorized income and is an additional proof, if any were necessary, of the certain advantages that would follow consolidation.

(Note: See Appendices X, XVIII, XX, XL, L.)

CHAPTER VII.

THE ASSESSMENT OF VARIOUS SPECIFIED CLASSES OF PROPERTY.

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CHAPTER VII.

**THE ASSESSMENT OF VARIOUS SPECIFIED
CLASSES OF PROPERTY.**

It may be generally stated that the railroads as a whole in New Mexico are at present adequately assessed, and there are few who will attempt to deny such statement. Whatever may have been the practice and methods of railroad assessments in the past, the practice which has grown up in recent years is such as to convince practically every one who has given the matter any attention that the railroads as a whole are now paying their full share of taxes. (See statement in appendices XII and XIII.)

The State Tax Commission under the law has the duty of assessing railroads, but there are no specific provisions in the law as to the precise methods to be used in arriving at such valuations.

In the deliberations held between the railroads and the Tax Commission prior to the annual assessment of railroad property, every consideration that can lead to a fair and just appraisement of these properties is, as far as is possible with the means available to the Commission, fully considered. While the law may not be considered specific it is in its terms general enough to permit the Commission to take into consideration every possible factor that contributes to value or that goes to make up value.

While there has been an occasional demand on the part of some members of the Tax Commission that the law set up a formula whereby railroad valuations shall be determined, it would, in our opinion, be a mistake to try to do so. The law as it stands, in our opinion, is sufficiently specific, and it would be confusing rather than otherwise to elaborate it. The law as it stands directs the Commission to "determine the actual value of all property belonging to the railroads, telegraph, telephone, express, sleeping car, transportation companies, within the State of New Mexico which is used in the operation of their lines."

Under that provision of the law the Tax Commission in recent years, with the co-operation of the railroad companies has on the whole reached a more adequate and just assessed valuation on railroad properties than has been reached in respect to any other class of property within the state. The practice which has actually been reached in this state in regard to the assessment of railroad property, while it could undoubtedly be improved and perfected with greater facilities and more elaboration in the technique of the commission, is

such as to encourage the belief that with similar co-operation between other classes of property holders and the tax commission, similarly adequate assessments could be reached by other large classes of property holders.

It has been the aim and intent of this commission in its inquiries to try to bring about a system whereby all classes of property can be given the same kind of consideration that is now given the railroads in arriving at their assessable valuations. It is a fact in connection with railroad assessments that ultimately all the statistics concerning their operation are made available to the tax commission either through the interstate commerce commission, the corporation commission or through the railroads themselves.

There is in the law providing for the assessment of railroads no directions as to the distribution of the valuation fixed by the State Tax Commission. Three methods are possible, First, the operative property of each road throughout the state could be assessed as a whole and the valuation distributed to the various counties in accordance with the miles of main track in each county through which the road runs. Within the county, a similar distribution of the county's allotment would then be made among the school districts, cities, towns and villages through which the road runs. A second method would be to allocate to each county all the valuation of the operative property of the railroad within the county. This method would, be believe, be very difficult of application because there are elements of value aside from fixed physical property which would have to be distributed on some basis.

On the whole the Commission favors the first method. A railroad system within the state is not a collection of segments, determined by county lines. As a railroad it must be valued in the largest possible unit. The determination of the value would be easier and the distribution would be made more simple and logical.

Though the Commission favors the first method, it is realized that the practice of the State Tax Commission has resulted in a fairly satisfactory method of distribution. The present practice of the State Tax Commission is to assess each railroad in segments or units which have similar or uniform physical and traffic conditions. The valuation so fixed is then distributed among counties through which such segments or units of the railroad runs upon the basis of main mileage, except that there is an allocation of the valuation or terminal facilities to county and town in which such facilities are located. On the whole this method with slight modification will perhaps prove the most acceptable and it is therefore recommended that provisions be made for the assessment of railroads

in units of stretches of track with all operative property having substantially uniform physical and traffic conditions. The valuation of each unit should then be distributed among the counties according to miles of main track. The modification suggested would merely involve the distribution of the assessment of terminals among the counties through which the segment or unit runs, with no allocation of such terminals. An additional recommendation of the Commission is that the time of assessing railroads, as well as of all other corporate property, be so fixed as to indicate the time as of which such property shall be assessed. For instance, it is suggested that for 1921 the assessment be made in February, 1921, as of January 1st, 1921.

Gasoline Tax.

Chapter 93 of the laws of 1919 provides for a license fee on all distributors of gasoline, and also an excise tax of two cents a gallon on the sale and use of gasoline. It also provides for the apportionment of one inspector for each of the eight judicial districts of the state at \$150.00 a month for salary and traveling expenses.

This law was attacked before it became operative, by a suit instituted in the U. S. District Court of New Mexico, by the Continental Oil Company, the Texas Oil Company and the Sinclair Refining Company. The law was assailed as unconstitutional, as being interference with interstate commerce, and the position was taken that although it purported to be on its face an inspection law, it was in fact a taxation system, or an attempt to collect revenue under the guise of inspection.

The District Court held the law unconstitutional and enjoined the state officers from enforcing it. This order was reviewed by three federal judges sitting at St. Paul, who affirmed it, and was again reviewed by the Supreme Court of the United States on appeal in the case of O. O. Askren vs. The Continental Oil Company. The Supreme Court likewise upheld the issuance of the preliminary injunction. The Supreme Court held that so long as the gasoline remained in the original packages in which it was brought into the state, it was protected by the commerce clause of the federal constitution and was not subject to taxation. But that after it was taken from the original packages it became subject to the taxing power of the state. The case was sent back to the District Court for its determination of whether the constitutional and unconstitutional portions of the statute can be so separated that the good part may stand and the bad be disregarded. This question was argued before the district court of Santa Fe in the month of October.

The principal faults in the existing bill, from the legal standpoint, are as follows:

1. The inspection features serve no useful purpose, add nothing to the legality of the bill, and should be stricken out.

2. The language of the present law is general in that it applies to all sales of gasoline whether in original packages or from broken packages and therefore seems to manifest an intention on the part of the legislature to tax interstate commerce. This should be obviated by an entire change of this language so as to make it plain that only domestic business is being taxed. This could best be done by entirely redrafting the law, although it might be accomplished by inserting at the various places necessary, the words "excepting gasoline sold in the original packages in which brought into the state."

In the opinion of competent attorneys, it is a mistake to attempt to tax the use of gasoline as the present law does. The Supreme court in its opinion pays no attention to this word but classifies the tax as being an excise tax on sales. It is probable that an attempt to tax the use of an article would be held equivalent to a tax on the article itself, since the right to use is incidental to the right of ownership. Therefore a flat tax of so much a gallon on the use of gasoline might be considered a property tax and bad under our constitutional provision that taxes levied on tangible property shall be in proportion to its value.

The oil companies have collected a tax upon all gasoline since the law became effective and are under bond to pay same to the state in case the question of the constitutionality of the law is decided in favor of the state. It is hoped that if it is finally decided that the present law is unconstitutional, that the two cent tax already advanced will be returned to the consumer.

Whatever the outcome, however, of the present situation, we are of the opinion that the law should be amended so as to provide for a one cent tax instead of a two cent tax, and that the tax imposed should not be in the nature of an inspection, but collectable directly by the state treasurer as a tax on domestic sales alone. Moreover, we believe that the license tax should be subsequently limited to a license tax upon the right to engage in the business of selling gasoline in intrastate commerce, specifically excepting therefrom all interstate business. This would cut out the inspectors, which are an unnecessary and superfluous charge. They would, in our opinion, even if the present law were operative, prove entirely ineffective.

We further recommend that the attempt to tax the use of gasoline independently of the tax upon the sale of gasoline be eliminated. The tax upon the sale of gasoline will reach

at least 98 percent or all the gasoline consumed in the state of New Mexico. The remaining two per cent could only include such gasoline as was brought in from without the state in original packages and actually consumed or used by the person so bringing it in.

We believe, according to statistics furnished us, that the amount of tax to be collected under the proposed law would approximate \$75,000.00 a year, with practically no expense in collection of same.

The State Franchise Tax.

Chapter 100 of the laws of 1919 provides for a tax on capital stock of domestic and foreign corporations, to be assessed by the State Tax Commission and collected by the State Treasurer. If this law is retained it should, in the opinion of competent lawyers, be amended in certain minor particulars. We are inclined to believe that insofar as it taxes unused capital stock it is unfair, and that the tax, if it is retained, should be only on such part of the capitalization as has been issued. It produced for 1918-1919 the seventh fiscal year, a total of \$29,616.49.

We suggest that a reasonable and proper method for adjusting this matter would be the repeal of Chapter 100 of the Laws of 1919 and an amendment of Section 1003 of the Compiled Laws of 1915, providing for the payment of an annual franchise tax on domestic and foreign corporations upon a graduated schedule to be worked out within the limitations fixed by recent decisions of the Supreme Court of the United States. Those limitations prescribe that it is beyond the power of state taxing authorities to levy annual franchise taxes for the privilege of doing interstate business, and the validity of the present franchise tax law has been questioned because of its failure to recognize these limitations.

As to the disposition of the tax, the commission find that the law providing for the tax failed to indicate the method of distribution. It is recommended that the collections heretofore made be distributed as are the taxes collected by the State Treasurer upon private car companies and that future collections be distributed upon the same basis, that is, "to the different state funds in the state treasury except funds derived from tax levies on specific classes of property in proportion to the respective levies for the several funds."

Private Car Companies.

Chapter 6 of the extraordinary session of 1917 provides for a method of taxing property of private car companies within the state and is, we believe, satisfactory in all respects ex-

cept as to the method of allocating the proper number of cars to the state so as to determine the taxable value of the property within the state.

Subdivision 2 of section 1 of the law as now written provides that a valuation of rolling stock for the purpose of assessment shall be such proportion of the value of the property of such companies as the aggregate number of all car miles made or traveled within the state bears to the whole number of car miles traveled in this and all other states.

This method of valuation whereby one of the factors includes all property of such private car companies is clearly unconstitutional as an attempt to tax property beyond the jurisdiction of the state and has been so held by the supreme court of the United States in a number of recent decisions.

We are informed that the State Tax Commission has recognized the unconstitutionality of this section and has in practice made the assessment upon such a basis as not to include any property beyond the taxing power of the state.

We therefore recommend that the present law be amended so as to provide for the assessment upon a basis which will not include, as does the present law, the objectionable features hereinbefore referred to.

Express Companies.

In the assessment of private car companies we find that the express companies practically escape assessment because of the fact that such companies own no rolling stock, their business being carried on in cars owned by the railroads. The only property assessed is real and personal property located in towns where offices are maintained. In order to reach this class of property it is suggested that the gross receipts be taken as a basis and a law prepared that will bring the property of such companies under taxation.

Assessment of Banks.

The Commission recommends that the law covering bank assessment should be made more specific. It should provide the shares of stock should be assessed at their actual value and shall not be less than the total of the capital stock, surplus and undivided profits. In arriving at the assessment, the book value of all real estate including improvements owned by the bank, should be deducted from the total of the capital surplus and undivided profits and such real estate and improvements should be assessed as other property of the same class. Furthermore such real estate and improvements should, we believe, be assessed in the county where it is located and the taxes thereon paid in that county.

Automobiles.

In 1916, the tax rolls showed 4,113 automobiles of the average assessed value of \$335.56; in 1917—7,197 of the average assessed value of \$334.12; in 1918—11,713 automobiles of the average assessed value of \$370.51; in 1919—13,810 automobiles of the average assessed value of \$367.14. That considerable discrepancy exists between the number assessed and the actual number within the state is apparent from the number licensed in 1920. According to the secretary of state the number of licenses issued up to November 8, 1920, was 21,831. Deducting 500 automobiles owned by federal, state and local governments and 1,000 owned by transients, there should be found about 20,000 automobiles on the 1920 tax roll. If only the average increase in number of sessesed automobiles is maintained, the number found on such tax rolls will not exceed 16,000, leaving 4,000 apparently unassessed.

At an average assessment of \$375, the total loss in taxable property as to this class is \$1,500,000.

The method used by the State Tax Commission has accomplished splendid results in reaching motor-vehicles for assessment. To bring about a complete assessment, it is recommended that applications for licenses be required by the collecting agency in duplicate and that one copy be furnished to the State Tax Commission. Such petition should set forth such facts as will enable the State Tax Commission to certify to the several local assessors the valuation to be placed upon automobiles in their respective counties.

Public Utilities.

Your Commission is of the opinion that all public utilities, including gas, electric light, power and water plants should be brought under the direct assessing supervision of the State Tax Commission.

CHAPTER VIII.

COLLECTION OF TAXES, EXEMPTIONS, COUNTY AND MUNICIPAL COSTS, SCHOOLS, ETC.

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CHAPTER VIII.

COLLECTION OF TAXES, EXEMPTIONS, COUNTY AND MUNICIPAL COSTS, SCHOOLS, ETC.

The delinquent tax evil is undoubtedly one of the most perplexing problems, if not the most so, of the many presented for our consideration. To frame a law which can adequately deal with it presents the greatest difficulties. To secure the passage of such a law is even more difficult. A law sufficiently stringent to adequately meet the situation must be such as may sometimes work hardships on honest citizens. This may be said of almost any law. But if, as in this case, the law does not stringently guard all possible avenues of escape and evasion, the effect is indeed discouraging.

That the present system is a failure is evidenced by the fact that of the total of \$9,414,937.82 levied for the year 1919, only \$7,789,258.24 had been collected on June 30, 1920. Of taxes levied for any year, not over 95 per cent are ever collected for the state as a whole. The last published report of the State Tax Commission shows that on October 31, 1918, collections for various years had been made as follows: 1912—94.69 per cent; 1913—93.69 per cent; 1914—93.08 per cent; 1915—92.24 per cent; 1916—92.14 per cent; 1917—86.36 per cent. It is probable that at the present time, there are taxes uncollected to an amount of over \$3,250,000.00.

The chief cause for the breakdown of the state's collection system lies in the weakness of the assessment methods. These methods have been elsewhere discussed and the necessary revisions indicated. It is safe to say that under an adequate administration of our assessment system, the difficulties in collecting taxes will be, to a great extent, eliminated.

Various efforts have been made to secure better results in collecting the revenues of the state and each legislature has struggled with the problem. At the present time the county treasurer and collector, an elected official is primarily charged with the duty of collection. In some counties where assessments are properly made and the treasurer is competent, nearly all taxes are collected, indicating that even under a poor system, capable officials can secure good results. But in many counties, conditions as to land descriptions are so bad as to make the enforcement of tax collection laws extremely difficult.

The penalty of one per cent per month for non-payment of taxes and costs and provisions for the sale of property involved has not proved effective. An additional penalty of 10 per cent of the total amount due for the services of special attorneys has somewhat improved conditions, but not by any

means, to the extent desired and anticipated. These attorneys as a rule secure the collection of taxes more promptly, but it is questionable whether they collect very much that would not eventually be paid. The cost of employing these attorneys fall upon the delinquent taxpayer wholly as the 10 per cent applies only to taxes actually collected.

The cost of publication of the delinquent tax list is intended to be borne by the delinquent taxpayer. This is true in only a part of the counties. In others, the cost collections are insufficient, the results being that payments must be made to the printer out of the general county fund. This gives rise to an intolerable situation for it makes those who pay their taxes promptly and fully bear part of the cost of publishing the lists of those who do not pay. It is conservatively estimated that a total of \$30,000 is paid thus each year out of the general county funds. The publication costs under rates established by the last legislature run to enormous totals in certain counties. In comparison with years when no newspaper publication was required, the results are no better.

There is much difference of opinion amongst competent students of the subject, first, as to the validity of measures for the sale of property for delinquent taxes without the intervention of legal process; and secondly, as to the policy of enacting such measures if they be valid. We do not feel ourselves competent to pass upon the first of these questions, but are inclined to believe that properly framed measures for the sale of delinquent property directly by the treasurer without intervening court proceedings and judgment would be valid. As to the second phase of the matter, we think that if possible such a measure should be adopted. In any case we recommend that any law providing for the procedure in the matter of tax collections from delinquents should provide that sixty days after the taxes have become delinquent, the current tax rolls should be closed and that all delinquents with the description of their property be entered in a separate "Delinquent Tax Book," upon which all steps taken, judicial or otherwise, toward the enforcement of the collection should until final settlement or sale be entered in detail.

We further recommend in any case, that the present practice of newspaper publication of delinquent tax lists be abolished; that newspaper publication of delinquent taxes be in the future confined either, first to a general warning of the time of delinquency and the serving of notice upon all taxpayers to examine the delinquent tax books and delinquent lists posted in the treasurer's office; or, second, to a single or limited number of publications of the names only of delinquents without description of the property.

Any taxpayer knows or should know whether he has paid his taxes or not. If he has paid them they should be credited to him on the county books. The tax receipt is evidence that such credit on the books has been made. If through error such entry has not been made, sufficient notice is certainly given by the publication of his name without a description of the property. We think that in view of the faulty records in many of our county treasurers' offices, all taxpayers should for self-protection see to it that they are credited on the records when they pay their taxes.

It does not appear that there is any good reason why those who disregard the tax laws should be subject to so much greater consideration than all others who disobey the laws, or why citizens who do pay their taxes should be subjected to large and continuous expense (as is now the case here) for publishing descriptions of delinquent property; or for the costs of court procedure to enforce collection or perfect tax sales, if such collections or tax sales can equally well be perfected and much more simply and at far less expense.

If our taxing system is bad or unfair, then the laws should be repealed or amended so as to make it good; and if the administration is bad the remedy lies in the hands of the people themselves.

All tax collection laws should and do give every opportunity to delinquents to adjust their delinquencies by payment or redemption. They should not be such as to charge those who do promptly comply with the tax laws with any more of the burden of the failure of those who do not so comply than is absolutely necessary. They certainly should not be such as will directly or indirectly encourage evasion, permit evasion or compromise on the part of those who through vigilance, bravado or cunning regularly attempt to avoid paying their taxes. There are many, big and little, in this category in New Mexico, as in all other states.

We are, therefore, decidedly in favor of a stringent tax collection law on the general lines above indicated. We think the present law could be greatly strengthened, and before the legislature meets we will have prepared alternative drafts of new laws for its consideration with that end in view.

When real estate is not of sufficient value to cover the cost of personal property taxes as well as those on the real estate, the assessor should immediately certify to the treasurer and collector the value of the property and the tax thereon using the rate of previous year to compute the tax. The treasurer should then at once serve notice upon the taxpayer that said taxes will be due and payable within thirty days. Failure

of taxpayer to pay tax should result in seizure of property by restraint and the sale thereof to cover taxes due.

The foregoing suggestions are made to indicate lines along which revision of present laws should proceed. Taxes due upon all forms of property owned by anyone should be a lien upon all the property he owns. No defense should be permissible except that the taxes have been paid or that the property was not subject to taxation.

The method proposed for collecting the tax on personal property would apply to livestock brought into the state after September first and removed therefrom prior to the determination of levies for the succeeding year. In cases of transient herds or flocks kept in the state for a very short time only, the law should provide for a charge against the owner according to number of head in such herd or flock and according to the time during which they are within the state. The collection of the charge should be made the duty of the treasurer who would have the same powers as in the case of the collection of personal taxes. One-third of such collections might be sent to the state treasurer, one-third covered into the general county fund and one-third into the general county school fund.

The present law relating to the publication of delinquent tax lists was passed at the last session of the legislature. It provides for the publication of the list four times, 7 cents a line for the first insertion and four cents a line for each of the next three, a total of 19 cents a line. It has been held that publication in both English and Spanish is required and this is done in some counties which doubles the cost of the publication.

The rates are maximum and it is possible for county treasurers to let the printing of the list to the lowest responsible bidder, and in counties where this has been done a rate as low as four cents a line for the first insertion and three cents a line for each of the next three, a total of thirteen cents a line has been secured. Responsible printers have advised us that a rate of five cents a line for the first insertion and three cents for each of the next three would be high enough to provide adequate profit.

It is found that in published lists there is much spreading of type to cover space and increase the cost. If the publication of delinquent tax lists is continued it should be provided that the setting must be solid. The law should specifically provide also that the printing of the list should be in one language only, the preliminary notice and statement being, however, printed in both languages.

The Special Revenue Commission finds it difficult to believe that the printing of delinquent tax lists accomplishes any more than the posting of such lists as was required by the law of 1917. The improvement in tax collections is very slight even though special attorneys were provided for by the law of 1919 to bring about a better collection. The small increase in the percentage of taxes collected may, in fact, indicate only an improvement in the promptness of payment and not in the total eventually collected. Upon this point one treasurer writes: "As far as collections are concerned I do not see that the publication of an itemized list helps any." Others express the same feeling and accurate figures seem to bear out the conclusion of the Commission that the publication of delinquent tax lists result in little or no improvement in the amount of taxes collected.

The greatest objection to the publication of delinquencies does not lie in the exorbitant cost of the advertising but in the fact that the burden does not fall upon the delinquents but upon those who pay taxes. This statement is not based upon hearsay. One treasurer writes that the cost of publication in his county was over \$1200 for the 1919 list. Only \$125 was collected from delinquents and the balance of over \$1000 was paid from general county taxes. Another states that the publication in his county cost \$1800 of which one-third only was paid by delinquents. In another county \$650 was paid for publishing, while only \$120 was collected from delinquents. These are counties in which the lists are comparatively short. There are several counties in which the cost of advertising exceeds \$2500. In certain counties it mounts to \$5000 and in one to \$7500. In such counties these figures mean that a large amount of tax delinquency is published which will never be collected and the cost must, therefore, be paid out of the general county funds. It is possible that as much as \$40,000 is thus charged against those who do pay their taxes.

In view of the foregoing considerations we recommend specifically that the law requiring the publication of delinquent tax lists be repealed. It is an unealled for and unjustifiable waste. We also recommend the discontinuance of the employment of special attorneys, and that adequate provision be made for securing full collections of delinquent taxes through the district attorney's office.

Total Taxes Due**Amount Collected and Amount Unpaid
August 31, 1920**

Year	Total	Collected	%	Unpaid	%
1912	\$3,481,074.80	\$3,333,393.83	95.75	\$ 147,680.97	4.25
1913	4,207,353.41	3,983,171.01	94.90	224,182.40	5.10
1914	3,987,881.52	3,772,449.11	94.59	215,432.41	5.41
1915	4,272,072.53	3,972,873.21	92.99	299,199.32	7.01
1916	4,343,793.95	4,103,160.12	94.46	240,633.83	5.54
1917	5,947,338.91	5,513,118.17	92.69	434,220.74	7.31
1918	6,679,351.73	6,169,717.51	92.37	509,634.22	7.63
1919	9,405,510.94	8,219,954.05	87.39	1,185,556.89	12.61
Total	\$42,324,377.79	\$39,067,837.01	92.31	\$3,256,540.78	7.69

Exemptions.

The constitutional clauses in respect to tax exemptions are contained in Sections 3 and 5, Article VIII of the constitution of the state. These sections are as follows:

Section 3. The property of the United States, the State and all Counties, Towns, Cities and School Districts and other municipal corporations, public libraries, community ditches and all laterals thereof, all church property, all property used for educational and charitable purposes, all cemeteries not used or held for private or corporate profit and all bonds of the state of New Mexico, and of the counties, municipalities and districts thereof shall be exempt from taxation.

Section 5. The legislature may exempt from taxation property of each head of a family to the amount of two hundred dollars.

Chapter CVII of the Compiled Laws of 1915, Sections 5427 and 5433 contains statutory enactments in regard to exemptions. These exemptions include:

1. \$200 exemption to the head of a family.
2. Property of the United States.
3. Property of the State.
4. Property of the Counties.
5. Property of the Cities and Towns.
6. Public Libraries.
7. Property of literary institutions.
8. Property of scientific institutions.
9. Property of benevolent institutions.
10. Property of agricultural institutions.

11. Property of religious institutions.
12. Community irrigation ditches, canals and flumes.
13. Cemeteries not held for profit.
14. All new irrigation reservoirs, canals and ditches for a period of six years.
15. New railroads for six years after opening for business.
16. Mining claims until one year after patent is issued.
17. Certain Homesteads valued at less than \$200. (Chapter 78, Laws 1917.)
18. \$2000 exemption to soldiers and sailors. (Chapter 165, Laws 1919.)

Items Nos. 14 and 15 are held to be not exempt from taxation for the reason that they do not come within any of the classifications exempt under the constitution.

Item No. 17 applies only to the assessment of such homesteads prior to the year 1908 and the statute does not apply to assessments of such property since that year.

All the above may be called constitutional or statutory exemptions. In addition to the property so exempted from taxation within the state there are within the state, according to data prepared by the Governor, over thirty-one millions out of the seventy-eight and a half million acres of land in the state that are untaxed. This acreage is divided as follows:

Unreserved and unappropriated lands.....	18,785,723 acres
Forest Reserves	8,294,222 acres
Indian Reservations	4,543,692 acres
Total	31,623,637 acres

(Note: See article on "Untaxable Lands".)

The generally accepted principle now is that taxation should be universal and that every person in the jurisdiction of a government should contribute to the support of that government in a proper proportion. The exceptions of any individual or class, in part or in whole, is favoritism or privilege and as such is indefensible.

(See report of committee on tax exemptions National Tax Association, 1920.)

It follows that the **only** ground for absolute exemption from taxation either of property or income is absolute public use, and the custom generally followed here, as in all other parts of the United States of exempting from all taxation all property belonging to any branch of Government "when devoted entirely to public use and not held for pecuniary profit"

is doubtless a proper one, although there are some peculiar instances in which such exemptions bring difficulties.

The exemption from the property tax of quasi-public property, such as that enumerated in items 6 to 11 above, while in our opinion quite illogical and provocative of much abuse, has, apparently met with general public approval and the support of church-goers and other beneficiaries who are instrumental in the formation of public opinion. It seems useless to criticise these exemptions although it should be obvious that whatever reason may exist for holding this property as **private** property is equally good reason for paying taxes thereon.

Our constitutional and statutory provisions as to the exemption of "church" and "religious" properties are very broad but there is nowhere in our statute books definitions as to what these terms mean. There is apparently nothing whatever to prevent, in these times of fads and fadists, taxing officials from interpreting these terms so as to include almost any sort of an organization however remote it may be from what most of us have been accustomed to regard as religion. When besides "religious" institutions, there can be exempted at the discretion of the taxing authorities "literary", "scientific", "benevolent" and "agricultural" institutions, none of which are defined or specified, the range of discretion in the taxing authorities is very broad indeed. This often really amounts, in an indirect way to the securing of state support for and an enforced contribution to the adherents of a particular faith from those who have no sympathy with it.

Section 5430 of the Compiled Laws of 1915, defining the exemptions in regard to benevolent, religious and other institutions contains the distinct proviso that they may be exempted from taxation

"when the property of such institutions and societies shall be devoted **exclusively** to the appropriate objects of such institutions and not leased or rented or otherwise used with a view to pecuniary profit * * * "

There are certain institutions in the state exempted from taxation under this law which properly should not be, because quite all right for the legislature to make these grants to these institutions, which are very useful and worthy institutions indeed, not only are exempted from taxation but receive considerable subsidies direct from the legislature. We think it is quite all right for the legislature to make these grants to these institutions, if it actually can afford it, but we believe that when they are actually operated with a view to pecuniary profit, in whole or in part, they should be subject to taxation as all other private property.

We recommend that Section 5430 of the Compiled Laws of 1915 be amended so as to more specifically define the property to be exempted from taxation under the constitution and clearly state what constitutes "church property," and "all property used for educational and charitable purposes," as those terms are used in Section 3, Article VIII of the constitution.

It is the general concensus of opinion throughout the state of those who have given the matter careful consideration that the \$200 exemption granted to the bona fide head of a family is abused in practice and that greater care on the part of the assessing officers would result in the cutting down very materially of the total of the exemptions granted under this provision. According to the statistics compiled by the State Tax Commission this exemption aggregates about \$8,000,000 annually, the figures for the last four years being as follows:

1916.....	\$7,735,363.....	2.29 per cent
1917.....	7,810,498.....	2.13 per cent
1918.....	8,021,215.....	2.05 per cent
1919.....	7,840,391.....	2.03 per cent

We do not believe that the policy of exempting new irrigation plants and new railroads for six years is a sound one or that there is any more good reason for exempting them than there is for exempting any other sorts of new enterprises. The precedent is a bad one and the principle unsound. We recommend that Sections 5431 and 5432 of the Compiled Laws of 1915 be repealed.

As for Chapter 165 of the Laws of 1919 granting a \$2000 exemption to ex-service men we are firmly of the opinion that it is unconstitutional and would be so held if the matter were tested in the courts. Sections 1 and 2 of Article VIII of the Constitution and Section 5427 of the compiled laws taken together with Section 3 of the Constitutional Article with Sections 5428 and 5433 of the Laws, (quoted above) which specifically define just what exemptions are permitted, clearly indicate that no other exemptions are possible under our laws.

In any case we are strongly opposed to this law or to any laws specifically granting exemptions as bounties. We are in accord with the opinion of the Committee of the National Tax Association who say in regard to this sort of exemptions that it believes them to be unsound and that if a grateful people wish to reward or support war veterans and other public servants there is the more direct and dignified method of pensions available. The exemption is a poor form of bounty and can never be regarded as a dignified way of meeting a strongly

felt public obligation. The law has already been abused and numerous instances have come to our notice where property has been divided amongst ex-service men in order to avoid the payment of taxes. It is also suggested that this exemption is a discriminatory form of recognition of ex-service men, the one having property being the only one to receive such recognition. We recommend the repeal of Chapter 165, Laws of 1919.

As to the \$200 exemption allowed each head of a family, we believe it should apply only to personal property and not to real estate. We recommend that the law be changed in this respect. Section 14, Chapter 54 of the Laws of 1915 should be repealed and this exemption should be granted only when claimed under oath as provided for under Section 5428 of the 1915 Code.

There is now pending in the State Supreme Court a case which seeks to establish by what seems to be a very strained and specious interpretation of the law, the principle that community land grants, insofar as they have not been assigned in severalty, are untaxable. The case is brought in behalf of a grant most of which is already held in private not minor ownership; but it is evident that should the contention be upheld the effect will be to entirely exempt other grants, the titles of which have passed without partition or segregation from the Spanish grantees, and it is also evident that such is the purpose of the present suit. Should it succeed then still greater areas of our land would be placed in the category of tax exempt lands and the resultant burden on remaining lands and other property would be proportionately increased.

There seems to be a difference of opinion amongst those who have studied the subject as to the actual status of the Pueblo Indians in this state, as to citizenship. We invite the readers attention to that part of the committee hearings on that question (pp. 148-151). In fact neither the Pueblos nor any other of the Indians within our borders who hold in the aggregate a great acreage of lands—and many of the best lands in the state—do pay any taxes whatever and it does not seem to us probable that they ever will. The area of National Forests amounting still to over eight million acres does not contribute directly to the support of the state government except as to that proportion of the income from timber earnings which is paid into the state and distributed to the 19 counties in which the forests are located. In these counties the amount distributed is divided equally between the school and road funds. The total paid into the state treasury from the earnings of National Forests in 1916 was \$35,511.33; in 1917, \$77,-

194.56; in 1918, \$68,572.15; in 1919, \$104,752.54; in 1920, \$86,318.16. The grand total for the five year period was \$372,348.74.

Governor Larrazolo, during his administration, made a great effort to secure the cession to the state of the remaining unappropriated government lands amounting to around twenty million acres and seemed in a fair way to succeed. This would, of course, have ultimately added greatly to the taxable property here, and have helped materially in the solution of our revenue problems, but it is not probable that the matter will now be pushed. In figuring tax producing realty in New Mexico we can, therefore, safely estimate for purposes of computation that the area is twenty-five million rather than seventy-eight million of acres.

(Reference to tax exemptions under the Income Tax will be found in the article of the report on Income Taxation, pages 34-53.)

County Government.

A score of years ago, we, in this country began to realize the inefficiency and expensiveness of the government of our cities. After many experiments a form of city management has been evolved to solve the problems of municipalities. In the last decade, we have turned our attention to the simplification and co-ordination of state governmental agencies with a view to securing better service at less cost to the taxpayers. We have not, however, as yet given much study to the form and efficiency of county government. It is time, we believe, to bring this department of public business under our consideration.

Our county government is made up of three commissioners, a sheriff, a clerk, a treasurer, an assessor, a county superintendent of schools, a probate judge and a surveyor, all elective. Among these officials there is very little intelligent co-operation in the majority of the counties of the state. There is divided responsibility both in the enforcement of law and in the administration of public business. It is true that the board of county commissioners exercises a loose sort of executive control and that in certain counties where strong men have been elected as commissioners, more or less rigid supervision exists. This fact only emphasizes the necessity of insuring a simplification and co-ordination of the agencies of county government. In certain counties the county clerk has a comprehensive knowledge of affairs and is able to advise the commissioners as to the financial affairs. Such a clerk is of the greatest assistance in securing efficient service economically when the board of commissioners are business-like in their methods.

Under the system of electing officials, ten men are nominated for county offices by each party, being chosen in the

great majority of instances not because of competency and ability adapted to their duties, but because of their vote-pulling power. The short terms make it impossible for even such men as are willing to perform the functions of their offices to become familiar with their duties or to improve their methods of administration. The result is that county government is conducted at a staggering aggregate of expenditures in our twenty-nine counties with an entirely inadequate return to citizens and taxpayers of service. Is it not time to see if this condition of affairs can be remedied.

In Appendix XVII to this report will be found detailed statements as to county costs. For the years 1915 to 1919 the total county payments were respectively as follows:

1915.....	\$4,961,336.75
1916.....	5,261,753.34
1917.....	5,808,276.45
1918.....	7,254,006.70
1919.....	7,792,637.00

Deducting payments to the state and to cities, towns and villages, we have as payments for county purposes for the same years the following:

1915.....	\$3,702,716.45
1916.....	3,844,309.79
1917.....	4,358,169.65
1918.....	5,344,866.78
1919.....	5,370,128.31

Included in these amounts are payments for school maintenance which showed an increase of from \$1,521,744.96 in 1915 to \$2,877,444.37 in 1919; payments for roads and bridges increasing from \$424,893.50 in 1915 to \$808,476.16 in 1919; interest and principal payments on bonded debts increasing from \$182,557.58 in 1915 to \$236,410.56 in 1919; and payments for courts which show a decrease from \$182,994.95 in 1915 to \$180,187.55 in 1919.

Deducting the foregoing items and payments from tax redemption funds, we find that other county expenditures for the years 1915 to 1919 were as follows:

1915.....	\$1,379,798.13
1916.....	1,056,190.32
1917.....	1,128,363.61
1918.....	1,286,948.80
1919.....	1,257,803.62

These figures include payments from salary funds which average approximately \$525,000 annually. Other county expenditures including wild animal bounties, agricultural agents' salaries and expenses, court house and jail repairs, indigency and general county expenses, show an average of about \$700,000 annually.

The expenditures for purposes mentioned in the preceding paragraph do not vary greatly from year to year chiefly because of the five mill and the five per cent limitations upon tax levies. Were it not for these limitations, fixed by the legislature, the figures would undoubtedly show considerable increases. It is among these items, however, that we find it necessary to point out the opportunities for eliminating waste.

The handling of the predatory animal problem is one involving considerable cost to the ordinary taxpayer. The average annual payments are approximately \$50,000 a year and yet many counties are in arrears in the payment of bounties. In one county such arrearage amounts to \$25,000. Because of the fact that county authorities desire to discourage the presentation of bounty claims, these claims are allowed to run year after year. The result is that the claims are sold at prices which enable the purchaser to hold them for many years and still receive a good return for his investment. Unlike other claims against the counties which must be paid out of the receipts for the year in which such claim arises wild animal bounties must eventually be paid in full.

It is recommended by this commission that the handling of the predatory animal problem be entrusted to the cattle and sheep sanitary boards in co-operation with the proper federal agencies. Funds required should, we believe, be provided from the proceeds of a special levy upon those interests and industries which benefit directly from the extermination of predatory animals.

Elsewhere we have called attention to the serious flaws in our delinquent tax laws. It should be kept in mind that in many counties, the collections of cost of advertising for delinquency are entirely inadequate to cover the cost of publication. Such cost reaches as high a figure as \$7500 in certain counties and in those counties it is certain that delinquent taxes will not be fully collected. The result is that those who pay taxes are compelled to pay the excessive publication costs. An estimate of \$30,000 is believed to be conservative as to the amount that must be paid out of taxes collected in addition to penalty collections. The remedy is suggested in the article on delinquent taxes.

Other expenditures that seem to constitute too large a proportion of the total are those in connection with the office

of the sheriff in many counties. It is probable that aside from salaries, the traveling and other expenses of the sheriff and his deputies will reach a total for all counties of \$50,000 to \$60,000 a year.

The cost of publication of county commissioners' proceedings is no inconsiderable item. It is believed that the maximum rates established by Chapter 43, Laws of 1919, are excessive. Furthermore, the value of printing these proceedings in full including much routine and long lists of payments is questionable. To the commission, it appears that condensed statements, summarizing the acts of the commissioners, and quarterly financial statements properly analyzing the expenditures would be of more practical value to the public.

Premiums on county officials' bonds amount to approximately \$15,000 annually and it is believed that the cost of insuring county property amounts to an equal sum. The question arises in our mind whether or not there is some better method of handling these charges so as to reduce their burden upon the taxpayers.

The purchase of all supplies should, we believe, be placed in the hands of some one county officer who under our present system should perhaps be the county clerk. This official should be in constant touch with the chairman of the Board of County Commissioners. He should submit detailed statements as to the finances of the county. He should be the purchasing agent, but should be limited as to the amount for which he may enter into contracts. Yearly budgets should be required to be prepared by law and frequent checks should be made between budget allowances and expenditures. The Bateman Act should be kept in force to prevent expenditures from exceeding available funds for each year. There is no real reason why county government should not be placed upon a business basis. To bring this about there should be a few elective officers, limited to a board of county commissioners. All other officers should, we believe, be appointive. It should be readily admitted that the surveyor may be appointed. In many counties, there is little need for such an officer and the commissioners may well be authorized to appoint him. The county superintendent of schools should be appointed by the county board of education, the members of which are appointed by the district judge. As elsewhere recommended in this report, the assessor should be an appointed official in the general taxation scheme of the state.

This leaves the county clerk, the county treasurer, the sheriff and the probate judge. The clerk and treasurer should be appointed by the board of county commissioners, the clerk being made the board's representative in the business manage-

ment of the county. We believe the sheriff should be appointed by the district judge and should be responsible to him, his salary and expenses being paid out of the court fund. Each county should have a district court clerk appointed by the judge of the district court. Such clerk should also be entrusted with the duties now devolving upon the probate judge and he should be responsible to the judge of the court. All officials elective and appointive should be subject to supervision and annual check by a state official with adequate power.

While this scheme may appear new and strange, we believe, that careful consideration thereof will reveal its practicability, as well as its advantages. Responsibility will be fixed both for the enforcement of law and the business management of the county. It is directly in line with recommendations of experts and with enlightened public opinion.

Whether any of the foregoing suggested changes are brought about or not, the commission unanimously recommends that the terms of county officials as well as those of the state officials, be made four years instead of two years. There was no adequate reason in either case why the terms originally prescribed by the constitution should have been changed.

The Grand Jury System in New Mexico.

Under the constitution of the State of New Mexico "no person shall be held to answer for a capital, felonious or infamous crime unless on a presentment or indictment of a grand jury, except in cases arising in the militia when in actual service in time of war or public danger." (New Mexico Constitution, Article II, Sec. 14.)

The above provision of the constitution is exclusive except where the defendant having been held by a committing magistrate elects in open court, with the consent of the court and district attorney, to waive the presentment of an indictment, and pleads to an information in the form of an indictment filed by the district attorney. (New Mexico Constitution, Article XX, Section 20.)

An examination of the constitution and statutes of a number of western states discloses the fact that the system of compulsory grand juries and prosecution for crime only after indictment by a grand jury, has been done away with.

Under the system prevailing in New Mexico a grand jury consists of twenty-one members who are paid \$3.00 a day and mileage at the rate of five cents per mile. In addition to this all witnesses called before the grand jury are paid witness fees and mileage. The result is that the majority of witnesses are required to attend at least twice in each case; once before the grand jury for which they are paid both their per diem

and mileage; later on when the case is actually called for trial they are again subpoenaed and are paid a second per diem and mileage.

The system of compulsory grand juries, as nearly as can be determined without an accurate check and audit of court expenditures, accounts for nearly half of the court fund in many of the counties, and in the opinion of the Commission is an unnecessary expenditure of public funds. The Commission is of the opinion that the time has now arrived when, except in cases of emergency, prosecution for crime within the state of New Mexico can be had upon a verified information filed by the district attorney instead of upon formal indictment returned by the grand jury. The experience of the state of Kansas with such a system indicates that the system of prosecution of information instead of indictment will practically do away with the calling of any grand juries.

To accomplish the change in New Mexico will require a constitutional amendment as a condition precedent to any amendments of the statute law itself. The sections of the constitution requiring amendment are two. Section 14 of Article II will have to be amended by striking out the first sentence of the same. If this is done and the proper change is made in the statute law, Section 20 of Article XX of the constitution would become useless, and should also be stricken out.

If such constitutional amendments be submitted to the people by the coming session of the legislature, the legislature should also revise Sections 3108 to 3144 of the New Mexico Code of 1915, so as to provide machinery for prosecutions upon information, and further to provide for the calling of grand juries in emergencies. Such provisions could be made as would place the calling of a grand jury in the discretion of the trial judge; or the calling of a grand jury could be made contingent upon petition by a definite number of taxpayers. Such provisions would amply protect the public in the ease of corruption or malfeasance in office.

Any such amendments or changes in the statute law would of course have to be made effective, contingent upon the approval of the constitutional amendments by the people of the state.

In addition to the changes in the statute law above suggested, certain other sections of the Code would have to be amended to meet the changed conditions which would result upon the adoption of such constitutional amendments.

In making the necessary statutory changes the Commission would suggest that the legislature as a model therefor take the statutes of some one of the western states where the system of prosecution by information has been in effect for a number

of years. By so doing the courts have the advantage not only of a thoroughly tried system, but also of the construction placed upon the laws by the courts of that state.

Cities, Towns and Villages.

There are in New Mexico about forty-five incorporated cities, towns and villages. Eight of these are cities, the others being incorporated as towns or villages. These different incorporations, however, are not very clearly differentiated in the statutes and the commission believes that the law relating to such municipalities should be revised so as to show the classification clearly. Such classification is necessary if any attempt is to be made to indicate the powers which such municipalities should possess, especially with reference to contracting obligations.

A survey of the finances of a score of cities, towns and villages indicates a great need for state supervision of the accounting system. It has been suggested by several mayors that the cities, towns and villages should be placed under the same supervision as that now exercised over counties with a view of securing uniformity of accounting methods within each class of municipalities. The limits upon expenditures should so vary according to the class to which a municipality belongs. It is found that many small municipalities have undertaken obligations which it is impossible for them to meet. This applies especially to the establishment of plants for supplying water and light. Bond issue after bond issue has been made involving high interest and sinking fund levies, and in several cases the plants for which bonds were issued have broken down entirely leaving the municipalities with a burden which it finds the greatest difficulty in carrying. It seems almost impossible in some of these municipalities to secure officials who have any accounting ability or experience. In some cases few records are kept and an audit in some towns has been found to be practically impossible.

These considerations, we believe, are sufficient to justify the commission in making the recommendation that the state should exercise supervision over cities, towns and villages in the same manner that it does over counties.

The cost of government in cities, towns and villages more than doubled in the first five years and it is necessary, we believe, in order to secure the best results for expenditures to have the municipalities submit budgets to the State Tax Commission in such detail as may be required. The same control should be exercised as in the case of counties.

The handling of the revenues of municipally owned water and light plants constitutes a problem that has not yet been

solved. It is felt that a careful study should be made of the situation and the earnings of such plants so guarded that they will apply to the maintenance and extension of such plants, and to the payment of interest and sinking obligations. The surplus in such earnings should be placed in the sinking fund. Under the present statutes it is required that levies should be made for interest and payment of principal on bond issues, and the practice seems to be to levy for interest and sinking fund payments using earnings which should be devoted to these purposes to apply to the general city expenses. This constitutes another reason for bringing the municipalities under state supervision and for revising the laws under which indebtedness for establishing water and light plants is incurred.

It may be that municipalities of a certain class will need more revenue than can be secured under the maximum levy of five mills for general city purposes. The commission recommends that instead of raising the maximum limit by law, an increase should be permissible not to exceed a certain amount only after the taxpaying voters have approved of the increase.

In order to secure uniformity, it is believed that restrictions placed upon incorporated cities, towns and villages should vary according to classification and should apply equally to cities, towns and villages operating as municipalities under general or special charters.

State Drainage Taxes.

One of the most important recent developments in many agricultural sections of the state has been co-operative drainage projects. Such development, however, is merely in its infancy. In the lower Pecos Valley there are six districts bonded in all for upwards of a million dollars: In the Mesilla Valley there are several districts and some have recently been formed in the vicinity of Albuquerque. The Rio Grande Valley from Bernalillo to San Marcial must, if it maintains any appreciable productivity, be drained in the not distant future and at great cost.

The construction and maintenance of these drainage systems is a heavy charge on the lands affected. Most of the districts have been formed under the provisions of Chapter 31 of the Compiled Laws of 1915, (as amended by Chapter 156 of the Laws of 1919) and some under Chapter 22, of the Laws of 1917.

Experience has proven that the former laws should be amended or strengthened in several respects, but a careful inquiry by competent authorities should be made before any such amendments are adopted.

At present the District judge is really the administrative head of the drainage district, as he must check and supervise

the work of the district commissioners. This is not a desireable situation from the judge's standpoint. He should not be forced ex-officio into what amounts to an executive administratorship as he has neither the time nor the inclination for such work. It has already led to various unfortunate complications.

The law requires that the treasurer of the district shall collect all principal, interest and maintenance assessment, up to the time they become delinquent, whereupon their collection with approved penalties is turned into the county treasurer who merges the drainage tax with other state, county, district and municipal taxes. It is extremely difficult to avoid confusion between the drainage district and county books. If the present system is continued the county treasurer should be required to keep separate drainage delinquent books for each drainage district within the county. The initial organization of the district can only be effected under the law with a consent of a majority of the land owners who determine upon the amount of the proposed indebtedness on the basis of the benefits to be received, but additional assessments to any amount can be made by the commissioners alone with the approval of the judge quite irrespective of whether or not all lands in the project are to be benefited. This should in some way be amended so that some referendum can be had by the land owners in the district. As it is, the land owners in a district who have received no benefits whatever from the expenditure of the district funds, and have no prospect of receiving any because the funds are all exhausted, are indefinitely assessed on their original assessments and on additional assessments and the cloud perpetuated on the titles to their land because of the lien of the mortgage held by the owners of the bonds. This is wrong and some means should be devised whereby those who have received no benefits can be released from their obligations under the district organization.

There is apparently no way for a district or perhaps for the state to enforce collections and assessments against even such land owners under a district as have been fully benefited and if possible some method for bringing about such enforcement should be defined in the law.

The nature of the lien created by the district organization against the land and land owners, is vague and indefinite and should be more clearly defined. This and other considerations make a careful revision of the law imperative.

Firemen's Volunteer Associations.

The legislature of 1909 appropriated \$2000 annually to be paid to the New Mexico Association of Firemen to be added to a benefit fund for disabled firemen, their widows and or-

phans. This appropriation was paid out of the money collected from insurance companies. This appropriation has been discontinued.

The same legislature provided also for appropriations varying from \$500 to \$2250, the total amount being \$12,750, to seventeen different incorporated cities, towns and villages. In 1915, a new act appropriated \$14,950 to twenty-one cities, towns and villages in amounts from \$300 to \$2,250. By Chapter 175, Laws of 1919, appropriations were made in amounts from \$300 to \$2,250 to twenty-seven different cities, towns and villages, the total amount being \$17,250. The appropriations are payable to the treasurers of the fire departments of incorporated cities, towns and villages, "to be used for the sole benefit of said association within the objects of their organization, such payment to be made from the money collected from fire insurance companies."

It is felt by this commission that these grants should be discontinued and that the several municipalities should provide the funds necessary for this purpose from the proceeds of the levies for city purposes.

State Boundary Suits.

In 1912, an appropriation of \$2500 was made to cover costs of investigation and suits as to the disputed boundary between the states of New Mexico and Texas. The then Attorney-General, Honorable F. W. Clancy, had charge of these investigations and suits. The legislature of 1913 appropriated \$7500 for the same purpose. By Chapter 94, Laws of 1915, an appropriation was made of \$9,2000 for the same purpose with the provision "that the officers of the state shall incur no further liabilities in behalf of the state." These appropriations covered expenses incurred for the investigations conducted by the Attorney-General's office.

The legislature of 1917 by Chapter 111 created the State Boundary Commission to bring about a settlement of boundary disputes between New Mexico and the states of Texas and Colorado. The act appropriated \$35,000. In 1919 the legislature appropriated \$7500 for the same purposes. The investigations have been directed and the suits prosecuted by Mr. F. W. Clancy, expenditures having been made to the amount of approximately \$27,500. The balance remaining of these appropriations is a little less than \$15,000.

The record of the Texas boundary dispute has been secured and printed in six large volumes with a total of 3400 pages and a great quantity of exhibits. Mr. Clancy is just completing a brief of the case which when printed will make another

large volume. It is stated that the balance of \$15,000 will more than cover the remaining costs of this case.

The Colorado case is only in its preliminary stages. A bill of complaint having been filed by Mr. Clancy, which makes a volume of 300 pages including field notes of a survey of the line. What the total cost of this case will be cannot be estimated.

The Special Revenue Commission has no recommendation to make with reference to this matter and makes the foregoing statement only for the purposes of setting the facts briefly before the Governor and the legislature.

Untaxable Lands.

In view of the efforts made by Governor Larrazolo to secure the cession to the state of all or a large part of the public domain within New Mexico, the following figures will be of interest.

The area of New Mexico is 122,634 square miles of which 131 square miles must be deducted for water courses, leaving a land area of 122,503 square miles, or 78,401,920 acres.

The vacant public domain unreserved and unappropriated on July 1, 1919, was 18,785,723 acres. This land is, of course, not taxed, being property of the United States. In addition during the past five years, 9,002,634 acres have been filed upon but probably not yet patented and therefore not taxable. Of the vacant public domain of 18,785,723 acres, there are 4,752,575 acres still unsurveyed.

The total acreage within National Forests is 9,486,806 of which 8,294,222 acres belong to the government, the remainder being apparently in private ownership or reserved for some other purposes. Indian reservations cover 4,543,692 acres and National Monuments 23,000 acres. It will thus be seen that 31,646,637 acres constitute the federal government's public domain and reservations. To this amount we may add 9,002,634 acres of public domain filed upon but not patented, bringing the total acreage exempt from taxation up to 40,649,271.

The estate received in various grants from the Federal Government 12,406,027 acres of which 2,634,664 acres have been sold to individuals, leaving 9,771,363 acres still in the ownership of the state and not subject to taxation. With this amount added, we have a grand total of 50,420,634 acres which the state may not tax. The land purchased from the state and taxed at 40 per cent of its purchase price amounts to 2,517,392 acres. Thus we arrive at an estimate of the acreage which should be upon the tax rolls of 25,463,894. As a matter of fact we find upon the tax rolls for 1919 a total of approximately 22,500,000 acres. Apparently, therefore, about 3,000,-

000 acres are not accounted for. To show the situation by counties the following figures are submitted, though they are in many cases only estimates:

Counties	Approximate Area in Acres	Acrea on Tax Rolls (1919)
Bernalillo	776,960	319,369
Chaves	4,124,160	729,559
Colfax	2,430,720	1,988,347
Curry	899,840	783,897
Dona Ana	2,445,440	223,629
DeBaca	1,497,640	351,439
Eddy	2,651,520	285,536
Grant	2,611,200	228,653
Guadalupe	2,551,680	792,932
Hidalgo	2,142,720	Included with Grant
Lea	2,860,800	752,833
Lincoln	3,058,560	232,022
Luna	1,904,640	261,948
McKinley	3,523,840	1,249,286
Mora	1,645,440	1,114,014
Otero	4,280,960	281,523
Quay	1,859,200	1,193,304
Rio Arriba	3,757,440	928,519
Roosevelt	1,594,680	993,147
Sandoval	2,477,440	793,152
San Juan	3,504,640	286,572
San Miguel	3,070,720	2,004,127
Santa Fe	1,262,720	578,690
Sierra	1,995,520	293,415
Socorro	9,644,800	1,133,277
Taos	1,441,280	552,765
Torrance	2,156,160	558,119
Union	3,436,800	2,049,061
Valencia	3,621,760	1,652,351
Total	79,229,280	22,611,486

An effort to verify these figures by information obtained from county assessors brought replies from four counties only, Colfax, Dona Ana, Torrance and Quay. The questions asked were such as should have been readily answered if assessors had any sort of a check on lands within their respective counties. There is here found, undoubtedly, a serious defect in our taxation system in that it is impossible to secure exact information as to lands not upon the tax rolls. We are unable to account for 3,000,000 acres. Perhaps there are government

withdrawals, Indian allotments, military reservations, rights-of-way, city and town sites, or other tracts exempt for some reason or another that are a part of this acreage, but we have no definite information nor is there any method for securing such information except in a comparatively few counties. Under a centralized system of administration, such as this commission recommends, it will be possible to secure the installation of adequate land checks in all counties. It may be found necessary to provide for surveys through co-operation between the state and the various counties in order to determine the exact situation. Two of the state departments, the State Tax Commission and the Commissioner of Public Lands, would be interested in such surveys which would be primarily necessary in counties in which the large land grants lie.

Reverting to the cession of all or part of the public domain to the state, it may be found impossible to induce the Congress of the United States to agree to the proposal at all. In that event, certain concessions should be sought. In the case of Federal Aid for road construction, the government might contribute three dollars for each dollar contributed by the state for any project. Such a provision is incorporated in the Chamberlain Bill now in Congress to aid future road construction. Other grants of Federal aid on the basis of co-operation might be made on a more liberal basis than that used in other states where the public domain and other exempt areas are negligible. Grants of land might be made to the state for certain specified purposes or other plans might be put into effect whereby the state should receive compensation for the loss of revenue because of the large exempt areas.

It should be noted that there is a small return to the state from the handling of public lands, a payment to the permanent common school fund being made of five per cent of the proceeds of U. S. land sales. In 1916, this amounted to \$3,155.65; in 1917, \$1,664.25; in 1918, \$2,580.12; in 1919, \$1,496.98; in 1920, \$1,791.54; a total of five years of \$10,688.54.

In connection with this subject the following data for the government fiscal year ending June 30, 1919 with reference to federal administration of forests in New Mexico will be of interest :

1. Net area of National Forests in New Mexico, 8,294,222 acres.
2. Number of employees in National Forest Service in New Mexico, 135.
3. Total expense to federal government in administering the National Forests in New Mexico:

Operating	\$200,550.12
Improvements	35,515.71
Protection	49,861.37
Survey of Homesteads	5,455.00
Classification of land	3,268.00
Range reconnaissance	4,523.50
Range improvements	5,000.00—\$304,173.70
4. Total amount spent for roads and trails in National Forests in New Mexico:	
Total amount spent to January 1, 1920 (Federal funds only)	\$279,214.07
Total to be expended, calendar year 1920 (Federal funds only)	435,283.81—\$714,497.88
5. Total revenue derived from National Forests in New Mexico fiscal year ending June 30, 1919	352,794.20
6. Amount paid to state of New Mexico from National Forests revenue in New Mexico fiscal year ending June 30, 1919: Act including school sections.....	\$20,091.49
Roads and schools (25% item)	84,661.05—\$104,752.54

Public Elementary and High Schools.

The sources of revenues for the maintenance of public elementary and high schools are the following: 1, county taxes; 2, poll taxes; 3, one-half merchandise licenses; 4, distribution of the state current school fund.

A county tax of not to exceed 18 mills may be levied, the proceeds of which are used to maintain elementary and high schools in the rural and municipal districts of the county. It is possible to increase the funds available by establishing county high schools by a vote of the people. As much as two mills may be levied in each county for the support of the high schools so established. In 1919 the total amount levied by these rates was \$2,680,946.18. The rate for general county school purposes, not including county high school levies, varied from 2 mills in Sandoval county to 15 mills in San Juan county. County high schools are found in Bernalillo, Colfax, De Baca, Eddy, Guadalupe, Hidalgo, Lea, Lincoln, Luna, McKinley, Otero, Socorro and Valencia counties.

The poll taxes collected in the state amount to approximately \$50,000. Receipts from merchandise licenses are about \$10,000. The distribution of the state current school fund yields

\$6.00 per capita of the school population or about \$725,000 for the state. Nineteen counties derive together approximately \$35,000 from Forest Reserve earnings. Estimating the receipts from taxes on the basis of ninety per cent collections, and allowing for delinquent tax collections, it is probable that there was available for maintaining schools for the last school year ending June 30, 1920, a total of \$3,320.000.

The state current school fund is made up of the proceeds of leases of state lands—grazing, agricultural, oil, etc.—interest on permanent school fund, interest on deferred payments upon land purchased from the state and the proceeds of a half mill state school tax.

Buildings for school purposes must be provided by the local districts. This may be done either by issuing bonds or by tax levies. At the present time the total amount of outstanding bonds issued for constructing school houses exceeds \$3,500,000. Special school district levies must be made to provide for payment of interest and principal of these bonds. Special levies may be made for purchasing sites, purchasing or building school houses, providing first equipment and for interest and principal payments upon bonded indebtedness. In 1919 a total of \$427,012.97 was levied for these purposes in all rural and municipal school districts in the state.

Because of liberal financial provisions made for its public schools by New Mexico, rapid progress has been made in affording educational opportunities to all the children of the state. The standard required for teachers has been raised, school buildings have been constructed in large numbers, the attendance has increased, annually more pupils are completing their elementary grades, the enrollment in high schools has grown by leaps and bounds and the organization of the school system is almost a model.

That New Mexico's educational progress has been remarkable is indicated by a report issued by the Russell Sage Foundation. According to this report New Mexico has advanced from 47th place in relative standing among 48 states of the Union to 28th place. This rating, it is believed, actually does the state an injustice, in that the basic figures used for the computations were inaccurate. A re-checking on accurate figures showed that New Mexico in 1918 was entitled to 21st place among the states, surpassing 29 states including all the southern states, many of the most important middle states, some of the wealthiest eastern states and one western state.

The factors involved in determining the relative ranks were the following:

1. Days attended by each child of school age.
2. Days schools were kept open.
3. Proportion of children in high school.
4. Percentage of boys to girls in high schools.
5. Expenditures per child attending school.
6. Expenditures per child of school age.
7. Expenditures per teacher employed.
8. Expenditures for non-salary purposes.
9. Average salary per teacher employed.
10. Per cent of children of school age attending.

From a study of statistics compiled by the U. S. Bureau of Education, it may be seen that New Mexico ranks well in educational advancement with other states of the Union, and surpasses the most of them, when the state's wealth and resources are considered. For the school year 1917-18 the annual cost per pupil enrolled amounted to \$45.19, while the average for all the other states was \$36.62. The annual cost per pupil attending in New Mexico was \$68.68, and in all the states the average was \$49.12. The average daily cost per pupil attending in New Mexico was 44 cents, and in the United States 31 cents. The daily cost for maintenance in New Mexico just equalled the average for the whole country, while the average daily cost for new buildings, sites, etc., in New Mexico was the highest of all the states, nearly four times the average daily cost for the whole country.

From reports of the State Superintendent of Public Instruction we find that the total expenditures for public elementary and high schools for the year ending June 15, 1908 was \$539,964.65; the outstanding bonded indebtedness was reported as \$320,422.84. For the same year the school census of children 5 to 21 years of age was 93,815, the enrollment 43,667, the average daily attendance 26,844. The number of teachers employed was 1065, their average salary being \$332.82. The amount expended for all purposes was approximately \$12.50 per capita for children enrolled.

For the year ending June 15, 1910, the total expenditures for public schools were \$829,631.47. The teachers employed were 1474; school census, 94,693; school enrollment, 56,304; and average daily attendance, 37,389. The average annual salary per teacher was \$339.10. The amount expended for all school purposes was \$14.73 per capita of enrollment and \$22.19 per capita of average daily attendance. The average length of term was five and one-third months. The outstanding bonded indebtedness was about \$750,000. The population for the state in that year was 327,301 and the assessed valuation of property was \$58,313,126. The assessed value was, however,

less than one-third of the actual value. Estimating the actual value of property at \$200,000,000, the cost for schools was \$14 for each \$1000 of assessed value, or \$4 for each \$1000 of actual value. The cost per capita of population was \$2.54.

For the year 1918-19 the total school expenditures amounted to \$2,833,992.34, according to the state superintendent's report. The average per capita of total population was approximately \$8; per capita of school census \$24; per capita of enrollment \$35; per capita of attendance \$54. The expenditures per \$1000 of taxable and actual wealth was nearly \$8, almost double that of 1909-10. There were 2616 teachers in that year and the average length of the school term was 8 and one-half months; men teachers received an average of \$114.44 per month and women \$79.69. In high schools men received \$1800 per year and women \$1375, on the average. The bonded indebtedness was reported as \$2,193,636.46 and the value of all school property as \$5,552,206.21. A table published in Appendix XXIII shows some of the disadvantages under which New Mexico labors in its attempts to solve educational problems. This state had 1003 children of the ages of 5 to 18 for each 1000 adult males according to the 1910 census; whereas for the western states as a whole there were only 596 children per 1000 adult males. New Mexico, in 1912, had \$5000 of property for each child, while the western division as a whole had over \$12,000. In this respect New Mexico stood below all other western states. The comparatively small number of adult males per 1000 children and the small amount of property behind each child of school age are real handicaps. In addition, the sparseness of the population thinly distributed over large areas is another element that involves larger school expenditures. Taking these considerations into account, the people of the state may well feel gratified at the strides forward made in educational advancement.

Remarkable as has been the progress of the school system in New Mexico, there are certain weaknesses to which attention should be directed. The commission believes that lengthening the term of office of the county and state superintendents of public instruction is necessary and the appointment of these officials by the county and state boards of education respectively will lead to the perfecting of the good system of supervision which we now have.

The most important factor in the conduct of schools is the teacher, and the commission believes that here is New Mexico's greatest problem. Under the interpretation of our school revenue laws, it is possible to pay teachers in this state salaries ranging considerably higher than in most of the other states and it is believed that a supply of competent teachers will

eventually be available under the present compensation schedules. The standards of qualification should be gradually raised until every teacher possesses not only experience and a certificate, but a fair degree of professional training. This is the immediate problem presented for solution to our state board of education and educational institutions. It is a matter for serious consideration that of the 1865 teachers in our rural schools 753 taught with second and third grade certificates and permits. Less than 100 of these teachers held professional certificates, though it is probable that many of the 938 teachers holding first grade elementary certificates have pursued professional studies.

The commission believes that with present limitations as to school levies, adequate funds will be available for all school purposes taking into consideration the increase in taxable property and the possibility of additional funds through the income tax. With reference to the latter it is recommended that there be no distribution the first year of the collection of the income tax. The tax collected the first year would be distributed as provided by law in the ensuing year. It would thus be known what income from this source would be at the time tax levies are made for any year.

The preparation of budgets in detail for each school district has been a means of safeguarding school funds and continued care should be exercised in planning for each year to the end that commitments shall not exceed the funds appropriated. There is, the commission believes a tendency to spend money for purposes that were hardly contemplated by the legislature. To what extent such expenditures are justified the commission is not in a position to state, but if they are necessary, full legal sanction should be secured by having proper measures approved by the legislature.

Reference is here made to such expenditures as those in payment of the salaries of clerk for county boards of education, rural school supervisors, nurses, etc. These expenditures will in time amount to perhaps as much as \$100,000 or even more, and it seems to the commission that there should be a specific legal provision if they are to be continued. These are not the only objects of expenditures that have no special sanction in the laws, and it is difficult to believe that the legislature had these objects in mind as being "necessary to the proper conduct of the school."

Under the most recent interpretation of the law, it is possible to pay teachers with first grade elementary or higher forms of certificate as much as \$100 per month for 12 months, second grade teachers \$75, and third grade teachers \$60 per month. These limitations apply only to rural schools of one,

two or three rooms. In city, town and village schools and in rural districts having graded schools with four or more teachers there are no limits. It is generally conceded that the limitations as to teachers with second and third grade certificates permit the payment of adequate salaries to these classes. The only difficulty then arises in cases of teachers having first grade elementary or higher forms of certificates employed in one, two and three room rural schools. In many instances these teachers are inexperienced or the schools are small or other considerations exist which do not justify a salary of the present maximum. In fact it is found that teachers are often employed on the basis of their certification only, and are paid the highest possible salary when it would perhaps be possible for them to work at a lower salary because of conditions mentioned above. In making the foregoing observations, we do not mean to say that conditions may not justify the payment of more than a monthly salary of \$100, but the point is made that care should be exercised in paying salaries according to the nature of the work and the service rendered.

The figures for school attendance are by no means what they should be. Of the school census of 122,000 children, 82,000 were enrolled in 1918-19, and the average daily attendance was only 52,000. It is probable that few of the children of the ages of 7 to 14 are not provided with school opportunities. It is estimated that there are 88,000 children of those ages in New Mexico. Several thousand are enrolled in other schools, about 82,000 being enrolled in the public schools as stated. Of these only about 60 per cent are in average daily attendance. This low percentage is due in no small measure to the teachers inability to "hold" the children after their enrollment and to his failure to secure the co-operation of parents in the matter of school attendance. This is one strong argument against the employment of incompetent or indifferent teachers. A further reason for the low attendance figures lies in the fact that in many parts of the state children are kept out by their parents to work in the fall or are taken out early in the spring. In fact local conditions may sometimes be such as to suggest the limiting of the term to seven months. There are other causes of course for low attendance, but it will probably be found that capable, enthusiastic teachers will do more than anything else to improve these conditions.

The fact should be noted that all high schools are county high schools, in the sense that they are supported by county levies. All high schools have the courses prescribed for "County High Schools". It would be a simple matter therefore to provide that all high schools should be open to all pupils who have satisfactorily completed the eighth grade. If this were

done there would be no necessity for the establishment of special "county high schools", and no necessity for a special levy so long as the county school budgets for all elementary and high schools do not call for more funds than can be raised within the present 18 mills limitation.

Special school district levies, as has been said, may be made not to exceed five mills in all except for interest and sinking funds. In making these levies where needed county authorities should see to it that a special levy for interest and at the proper time, a sinking fund levy for each of the bond issues made by the district are made. If funds are needed for purchase of site, purchase or construction of school house, or purchase of first equipment a special levy should be made to meet the actual needs, and the proceeds of all levies should be made for such purposes to be handled in the accounts for purposes for which they were intended.

The matter of the distribution of the state current school fund is one requiring attention. The constitution provides for the distribution of this fund on a per capita school census basis. Such a basis is not satisfactory. If all the funds available for school purposes were so distributed it might have some justification, but even then educational opportunities would not be fully equalized. Another objection to the per capita of census basis is that the school census is far from accurate in many counties. For instance, one county has a population of 15,030 in 1920 and the school census is 8648. (See table of comparison for all counties, Appendix XXXVIII.)

A better method of distribution would be in part upon a teacher basis and in part upon an attendance basis. The teacher's salary is the largest item of expense and the needs of the school are largely determined by the amount required for teachers. If a part of the state school fund is distributed on a per teacher basis, the remainder should be distributed on an attendance basis in order to encourage attendance. It may be that a constitutional amendment to establish this method of distribution for the state current school fund would fail to pass, but another state fund could be established by the legislature which could be distributed as suggested. A school equalization fund might be established into which the proceeds of an income tax if adopted should, in the opinion of the commission, be covered and such fund distributed on the new basis.

The proper education of the future citizens of New Mexico is the state's principal duty and the commission desires to have it distinctly understood that the information given and the suggestions made are for no other purpose than to secure the most effective system of public education that our wealth and

resources will permit. We can agree, to a very large extent therefore, with the recommendations made by the New Mexico Educational Association at its recent meeting in Albuquerque.

(Note: For statutes as to teachers' salaries, see Appendix XI.)

CHAPTER IX.
THE BUDGET.
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CHAPTER IX.

THE BUDGET.

BOND CONTROL AND TAX LIMITATIONS.

The consideration of the budget as a part of the tax problem of New Mexico divides naturally into two parts

- (a) The State Budget proper, and
- (b) The budgets of the local governmental units—counties, cities, towns, villages and school districts.

Local Budgets.

Taking up the local budgets first the present state of the law is a distinct recession from the conditions which prevailed from 1915 to 1919. In 1915 the legislature passed a general tax limit law (Chapter 74 of the laws of that year). Under this act all tax levies passed in review before the Tax Commission. As the law was all-inclusive, covered all levies for all purposes, it was essential that the entire fiscal program of the counties, municipalities and school districts be made up carefully in advance and be so carefully formulated in detail as to pass inspection by the commission. The Tax Commission prepared and distributed budget forms covering all county and local budgets either by itself or in collaboration with the State Department of Education and the State Highway Commission and required such budgets properly and fully prepared, as a condition to its consideration of local tax levies. The proper formulation of local budgets was, from 1915 to 1919, therefore, adequately cared for. Only by deliberate violation of law could the administration of such budgets—the spending of the money raised thereunder—fail adequately to safeguard the public interest. Instances of such violations of law—the spending of more money than was appropriated—occurred, but such instances were not numerous and could, by slight additions to the existing laws, have been prevented altogether. Instead, however, of strengthening the budgetary provisions inherent in Chapter 74 subsequent legislative acts substantially weakened it, especially in the year 1919. Chapter 83 of the laws of 1919 eliminated school tax levies from the control, as provided by Chapter 74, and Chapter 168 of the laws of 1919 eliminated road taxes levied to meet Federal aid from such control. As the purpose of Chapter 74 was to secure a careful review of the entire local budget and as the limitation therein prescribed applied only to the budget as a whole, these acts of the legislature, covering at least 75 per cent of the budget,

destroyed the effectiveness of Chapter 74. There is now, therefore, nothing in the laws of New Mexico effectual to guarantee under State authority adequate, fully prepared and carefully considered local budgets or a full review of tax levies before they become effective.

The first step toward an adequate local budget system in New Mexico requires the restoration of the substance of Chapter 74 of the laws of 1915. Further than that provision should be made for the proper administration of the budget by which expenditures when made may be controlled and limited to the expenditures authorized by the budget appropriation. Every proper budget consists of two parts (a) the appropriation for expenditure (b) the provision for funds to meet those appropriations. It always happens that budgets either overrun or underrun, there is always a surplus or a deficit, large or small as the budget was well or ill planned and executed. Obviously spending departments for which specific appropriations have been made have a right to assume that funds will be provided and to act accordingly, else there can be no economical planning or execution. Conversely, no matter how greatly revenues exceed appropriations the spending departments have no interest in, nor right, to the surplus. It should remain a surplus until appropriated. Moreover, the test of conformity to a budget consists not in the cash withdrawn from the treasury, but in the total commitments to expenditures either during the year or for the future. No budget is completed, therefore, which does not limit total commitments for a year rather than total disbursements within the year. Adequate machinery should be provided in the accounting offices of counties, towns and cities of the state for the certification of contracts as well as warrants and the instant charge of such contracts against existing appropriations. In no other way can appropriations be properly protected against overdraft. Any contract not so certified should be absolutely void. These changes in the law coupled with proper supervision of tax levies by the Tax Commission and proper supervision of local accounts by the traveling auditor (whose authority should extend to all municipal units) should bring New Mexico to the front of all the states in local budget procedure.

State Budget.

New Mexico has a state budget and a state budget law, Chapters 81 and 114 of the Laws of 1917 and Chapter 174 of the Laws of 1919 provide the essential machinery for the preparation of a state budget. The question for New Mexico is, therefore, not whether a state budget law should be passed,

but whether the existing law is adequate. New Mexico has a budget system, is it a good and complete system?

A proper discussion of the above question requires first of all a definition of a budget and an outline of its essential features. A budget is a financial program. Under our form of government it ordinarily requires preparation by the executive, authorization by the legislature and administration by the executive departments of the government.

The preparation of the budget by the executive requires a full, adequate, careful and complete survey of the fiscal needs and resources of the state government in all its departments, institutions, and wholly or partially supported activities. This survey relates to the past, to show what has been done, and to the future to show what should be done. This survey is not a mere statement of estimated needs from funds to be raised by taxation, incomplete and misleading, but a full statement for each department of its expenditures for every purpose, and receipts from every source for at least the last appropriation period, of its estimated needs for every purpose and its anticipated revenues from every source, as well as, its specific requests for revenues to be supplied from taxes for the appropriation period under consideration.

The preparation of the budget requires that individual budget estimates submitted by departments, institutions and other state supported activities shall be submitted in the detail above outlined to the Governor and shall be fully considered by him, that the public shall be fully informed as to their contents, purposes and effects, that all interested parties shall be heard and their assistance enlisted in the consideration, support and criticism of the estimates. The proposals should be summarized, the revenues available considered and the effect upon the state tax closely computed. It is essential that the Governor shall pass upon these proposals and enunciate a policy with respect thereto.

All these things except as to the Judicial and Legislative departments are provided for in Chapter 174 above. Apparently these departments were omitted on the "co-ordinate powers" theory of the Constitution, but the Governor has a right to know how the judicial department spends and proposes to spend money, that is not a judicial function, and he has, through his veto power, an actual partnership in the legislative branch, there is no sound reason why he should not recommend as to either. With this change the present law is clearly adequate. It has been administered with reasonable success, yet the system has one inherent defect, a defect as vital as seriously to threaten in the long run the success not only of

this law, but of any other which, under existing conditions might be enacted.

The budget estimates now submitted and the appropriation acts of the legislature relate to the state fiscal years, beginning on December first next succeeding and continuing for two years thereafter. The estimates are submitted to and revised by the Governor in office in December. Unless re-elected this governor retires on the January first preceding the convening of the legislature which must consider and pass the appropriations. He will have, therefore, no control over the presentation of the estimates to the legislature, no control over the subsequent administration of the budget which in fact will not be completed before the expiration of the term of his successor. Not only, therefore, is the governor supervising the preparation of the budget, unable in his official capacity to see it completed, he is quite likely as an outgoing official to have but little interest in its preparation. On the contrary his successor, who must present it and administer it for the greater part of its life, has no voice in or control over its preparation and the executive and legislative policies inherent in it. A budget is not merely a financial plan, it is the vital, life-giving factor in the activities of the state. Upon its provisions depend, more than upon anything else, the course of state administration for the period of its existence. It cannot function adequately without the sympathy and understanding of the Chief Executive. Under the existing conditions it is impossible to guarantee that the incoming governor will approach the budget estimates as prepared by his predecessor, either with sympathy or understanding. There is no reason why he should. The preparation of these estimates should be his job, he should be their author and should be responsible for their contents. He should not be asked to underwrite the conclusions of his predecessor or to press the legislature for their adoption. Neither should he be placed in the unpleasant position of opposing or abandoning these recommendations and proposing his own, unenlightened by the knowledge secured by the study of the estimates and the arguments of those who favored or opposed the specific items of expenditure proposed. The incoming governor should have charge of the preparation of the budget, should conduct the hearings relating to it, should determine the policy to be followed by his office and should have time to do these things before reporting to the legislature. In no other way, as a matter of practical administration, can a satisfactory system be evolved. It is suggested that all these conditions could be met without constitutional change. The legislature could meet, organize, select its committees and adjourn to reconvene, let us say on March first. The estimates submitted to the

retiring governor could be taken up by the new incumbent, analyzed, hearings conducted and policies determined free from the pressure of legislative business. With this change in method, simple in itself, yet vital to success, the present law and administration of the preparation of the budget, is entirely satisfactory.

It would, in our opinion, be wise to submit to the voters with the other constitutional amendments proposed, one amending Section 5 of Article IV of the Constitution to provide for the meeting of the legislature in March or April rather than in January as is now the case. Such a change would in many respects be preferable to the present date of meeting.

The second step in the budget procedure is the transmittal to the legislature of the estimates recommended by the governor, their consideration by the legislature and the passage of the appropriation bill.

On this step the present law is adequate but the actual practice is not. Appropriations, under a good budget practice, are made in total, all-inclusive amounts and all revenues appropriated by general law are either required to be paid into the general state funds, or if, specially set aside for the activity in question, are used to reduce the appropriations from general state revenues. The actual practice in New Mexico is the opposite of the correct rule. The special revenues are set aside without reserve and are available for the expenditure regardless of amount, and the balance, which is set out as a specific appropriation, is available regardless of the amount needed to meet the estimated total expenditure. To illustrate specifically, most of the state institutions of New Mexico are the beneficiaries of land endowments, the income of which is available for their use. In the illustration below the estimated needs and special revenues (estimated \$25,000—actual \$35,000) are set out in hypothetical form with the effect under correct and actual New Mexico practice:

	Budget Estimate	Actual Result Correct Practice	Actual Result Present New Mexico Practice
Expenditures	\$100,000	\$100,000	\$100,000
Special Revenues	25,000	35,000	35,000
Appropriations from taxes	75,000	65,000	75,000

Under the actual practice if the special revenues are underestimated the institution secures an appropriation in excess of the estimated needs. If, on the other hand, the special revenues are over-estimated the institution receives an appropriation less than the estimated needs. This result is wrong both from

the standpoint of the taxpayer and from that of the institution to which the appropriation is made.

A further weakness arises from the fact that state tax collections cannot be forecast with absolute accuracy, and the actual appropriations are credited with funds as taxes are collected in the amounts actually collected. This again results in surpluses or deficits not in any wise connected with appropriations as such. Whether tax collections are good or bad, institutions and departments should receive the amounts appropriated and no more or less. Correct practice should set up the actual sums appropriated and should make such sums available for the particular fiscal year. The aggregate of appropriations less the sum total of special revenues represents the net sum to be secured from taxes. This is a matter of general state finance and should be so dealt with. The state tax should not be apportioned by purposes. If it produces less than the appropriations, the state should borrow the difference, if a surplus, the surplus should be generally available for future appropriation. The appropriation bills should be drawn conformably to the above principles.

A further detail of practice, highly desirable in itself, can be developed readily if the above suggestion relative to the presentation of estimates by the governor were adopted. Not only, under the present practice, will the estimates go before the legislature deprived of the full guidance of the governor who prepare them, but the chairmen of the appropriation committees of the House and Senate are not in close touch with the preliminary steps and not necessarily in sympathy with them. If the consideration of the estimates were deferred until the new governor is inaugurated and the legislature organized, these chairmen and their committee associates could, by invitation of the governor, be associated with him in the preliminary steps and agreement secured so that the budget submitted by the governor could be reported promptly out of committee probably without substantial change. In any event the useless duplication of effort involved in a completed presentation of institutional and departmental needs once to the governor and again to the legislature could be obviated. The constant lobbying of representatives of the beneficiaries before the legislature and the great loss of time involved thereby could be completely avoided.

Administration of The Budget.

Finally and in many ways most important of all, is the administration of the budget. By that is meant the measures taken by the administrative and auditing functions of the state to see that funds are raised, that appropriations made

by the legislature are administered according to the will of the legislature as expressed in the appropriation acts and, most particularly, that the spending authorities are not permitted directly or indirectly to commit the state in excess of the authorized expenditures. In this respect neither the law nor the present administration practices are adequate.

The law is not adequate. At present the state auditor and the state treasurer are not even the controller and custodian of appropriated funds. Almost without important exception the large spenders of state funds withdraw these funds on blanket vouchers, deposit them within their own control and are audited, after the money is refunded by the traveling auditor. None of this decentralization should be permitted. No state supported function should be able to get possession of actual funds. It should draw on the treasury subject to pre-audit by the auditor only in the name of its payees covering each separate expenditure. The proper custodian of state funds is the state treasurer, the proper auditing of the disbursements of state agencies requires examination in advance of payment by the official of the state charged with that specific duty. The past audit by the traveling auditor, in the event of questionable expenditures is a mere post mortem, an interesting resumé of financial history, but in no sense an effective check upon either wastefulness, violations of law, or criminal malfeasance.

Nor is pre-audit of expenditure vouchers alone an effective check in the administration of the budget. Disbursements, in fact, do not constitute the proper measure of adherence to or violation of the limits set by appropriations. The proper measure is the contracts to pay or other commitments properly chargeable to the appropriation in question. As soon as an obligation to pay is incurred the appropriations should be charged and when commitments so charged equal the appropriation it should be regarded as exhausted regardless of the cash state of the funds. The state auditor should keep the records of such charge against appropriations. The prevention of a single case of commitments in excess of appropriations, such as that recently occurring in the Agricultural College, would pay the cost of such extra record keeping for many years. Without such a system of control the best system known of preparing and voting the budget is largely wasted motion.

Recapitulation:

1. Little or no additional law covering the preparation of estimates and the presentation thereof by the governor.
2. Changes of practice so that the incoming governor and

legislature may participate in the steps preliminary to the governor's report.

3. Changes of the form of appropriation bills fixing absolute total sums available for expenditure.
4. Changes both in law and practice of the state auditing system so that the custody and control of all state funds shall remain in the properly constituted state offices until actually expended.
5. Changes both in law and practice so that the appropriations shall be controlled by charges for commitments instead of disbursements.

Tax Limitations.

The constitutional limitations as to tax levies are found in Section 2 of Article VIII. "Taxes levied upon real and personal property for state revenue shall not exceed four mills annually on each dollar of the assessed valuation thereof except for the support of educational, penal, and charitable institutions of the state, payment of the state debt and interest thereon; and the total annual tax levy on such property for all state purposes exclusive of necessary levies for the state debt shall not exceed ten mills."

Section 12 of Chapter 54 of the laws of 1915 provides: "The maximum rate of tax to be levied for all state purposes and uses, including the educational, penal and charitable institutions, shall not exceed three mills on the dollar of the assessed valuation of all property subject to taxation in the state. The maximum rate of tax to be levied for all county purposes and uses, excepting special school tax levies, special levies on specific classes of property, shall not exceed five mills on the dollar. The maximum rate of tax to be levied for city, town and village purposes or uses, shall not exceed three mills on the dollar."

The maximum rate for cities, towns and villages was increased to five mills by Chapter 17, Laws of 1919.

"Special school tax levies may be made in accordance with law not exceeding five mills on the dollar. All tangible property shall be assessed and taxed upon its actual value.

"The foregoing limitations shall not apply to levies for payment of the public debt or interest thereon."

Chapter 74 of the Laws of 1915 provides that "No county, city, village or school district shall in any year make tax levies which will in the aggregate, produce an amount more than five per cent in excess of the amount produced by tax levies therein during the year preceding."

"In case the amount desired to be produced by tax levies is more than five per cent greater than the amount produced

in the year preceding, such fact shall be set forth in the form of a special request and filed with the State Tax Commission. In case the State Tax Commission approves such proposed increase it shall specifically authorize the same; if it disapprove, it shall so state with its reason therefor, and its decision shall be final."

(Note: A resolution for the proposal to make the requirements of this act as a part of the constitution was passed by the legislature of 1917 but failed to secure popular approval at the election.)

The legislature of 1917, Section 17 of Chapter 38 provided for a state levy of one mill for roads to be excepted from the limitations of Section 12 of Chapter 54 of the Laws of 1915 as to state levies. This levy was increased to one and a half mill by Section 1 of Chapter 154 of the laws of 1919. The 1917 legislature (special session, Chapter 5, section 8) provided also for one mill county tax for roads for the years 1917, 1918, excepting the tax levies from both the five mill and the five per cent limitations. In 1919, a three mill levy for roads was imposed for the years 1919, 1920, 1921 which was also excepted from the limitations mentioned. (See Chapter 168, Laws of 1919). Levies for road construction were permitted by the 1919 legislature in San Juan, Rio Arriba, Sandoval and Bernalillo counties outside the five mill limit and at the special session in 1920, Sierra, Socorro and Grant counties were allowed to make similar road levies.

Chapter 83 of the Laws of 1915 fixes a maximum limit upon the county levy for school maintenance of 18 mills. Within this maximum, the five per cent limitation prescribed by Chapter 74, Laws of 1915, is of no effect. All school levies are, in fact outside the five per cent limitation.

The various acts excepting all school and certain road levies from the limitations upon levies in general, show with what ease the legislatures may set aside laws passed by its predecessors. If a constitutional amendment could be secured to fix reasonable limitations, it would be desirable to bring it about. Pending the adoption of such an amendment, some legislation is required to bring levies and expenditures within control.

The commission's suggestion as to tax limitations is that all present limitations be retained and that within such limitations taxing authorities should not increase total tax rates except upon adequate representations to and approval by the State Tax Commission. This should apply to county, incorporated city, town and village and school district levies; and in fact to all local tax levies, the object being to have one department through which all facts as to levies shall pass. The fixing

of the state tax rate and its certification should be the duty of the State Tax Commission rather than the auditor's.

There should be created within the State Tax Commission a budget division in charge of a competent official appointed by the governor. His duty should be to acquaint himself fully with financial conditions in the various political units of the state, assist in the preparation of their budgets and act as the representative of the State Tax Commission and the governor in all matters relating to budgets and tax levies.

An adequate budget law should be devised for counties and towns, in fact for all tax levying sub-divisions as well as for the state. Such a law should also provide for a control of expenditures in accordance with the several budget allowances. Provisions might be made for certain transfers upon proper representations to the budget officer, transfers would be subjects to the condition that all expenditures for a group of related purposes should be kept within a specific maximum.

Bond Issues and Bond Control.

The constitutional provisions with reference to state, county and municipal indebtedness are found in Article 9, Section 7 to 13, inclusive. By these sections it is required that no indebtedness shall be incurred except upon the vote of the electors residing within the political units by which the indebtedness is to be incurred. The only exception is found in Section 7, of Article 9, which provides that not to exceed \$200,000 may be borrowed by the state to meet casual deficits, failure in revenue or necessary expenses. Of course the state may contract debt to suppress insurrection, and to provide for the public defense.

Section 8 of Article 9 of the Constitution provides that the indebtedness of the state shall not exceed one per cent of the assessed valuation of all the property subject to taxation in the state, as shown by the preceding general assessment. Counties and incorporated cities, towns and villages may not incur indebtedness exceeding four per cent of the taxable property, except that incorporated cities, towns and villages may incur indebtedness beyond this limitation for the purpose of supplying water or of constructing a sewer system. School districts may not incur indebtedness in excess of six per cent of the assessed valuation of taxable property. Under statutory provisions, Chapter 54 of the Laws of 1915, as amended by Chapter 68 of the Laws of 1919, counties, cities and villages are limited to an amount of indebtedness not exceeding one and one-third per cent of taxable property, with the exception as noted above as to supplying water and constructing sewer systems.

While the maximum of indebtedness for each unit as compared with the valuation seems small, the aggregate obligations for any unit authorized to issue bonds would be large if incurred to the limit. For instance, in any city if the maximum obligations were incurred by state, county, city and school district to the constitutional limit, the total obligation would amount to 15 per cent of the taxable wealth of such city. Under the statutory limit the total would amount to 10 per cent of the taxable wealth of the community. This would prove a heavy burden to carry along with that of tax levies for current expenses. It is for the purpose of avoiding the danger of over-bonding that the Commission feels it necessary to make the suggestions here offered.

The limitations provided for in the constitution and by statute are, we believe, such as are necessary, and we would recommend that these limitations be not disturbed. We believe, however, that an amendment to the constitution should be kept in mind for consideration which would make it impossible to issue bonds for a period longer than the life of the improvement for which the bonds are issued. The maximum of fifty years provided for in the constitution is entirely too long. Pending the adoption of a constitutional amendment, statutes relating to bond issues should make a clear requirement that bonds should be issued in such a way as to be retired in a reasonable time. If this requirement is not specified we may find bond issues burdening the taxpayers of this and future generations long after the so-called permanent improvement has disappeared.

We find that there is a practice which amounts to a practical evasion of the limitations upon bond issues, in the issues of state debentures or certificates of indebtedness. Such securities are issued without being submitted to a vote of the people in pursuance of laws passed for the purpose of providing for the construction of roads or for buildings at public institutions. The certificates of indebtedness issued for war purposes were not of this class, as the constitution clearly authorizes the state to contract indebtedness to provide for the public defense. It is said that certificates of indebtedness may be issued for short periods against tax levies provided to meet payments of interest and principal, but it would seem that in that case the levies necessary might force a violation of the constitutional provisions relating to the state tax levy limitation. We believe, therefore, that the issuance of such certificates of indebtedness, state debentures or other short term securities are unconstitutional, and the practice should be discontinued. Instead of issuing such certificates of indebtedness it would be better to make tax levies and allow the pro-

ceeds to accrue until the amount necessary for the improvement has accumulated.

At the end of the fiscal year, November 30, 1914, we find that the counties had outstanding at total of \$3,212,424.07 in bonds, and the state had \$2,605,500. This makes a total of \$5,817,924.07. It is probable that the bonded indebtedness of school districts, cities, towns and villages would bring the total of indebtedness for that year up to \$8,000,000.00. At the end of the sixth fiscal year, November 30, 1918, the outstanding bonded indebtedness in New Mexico was as follows: Counties, \$3,452,982.80; school district, \$1,516,199.10; cities, towns and villages, \$2,975,697.60; state, \$2,856,000.00. The total outstanding bonded indebtedness, therefore, on November 30, 1918, was \$10,800,879.50.

At the end of the seventh fiscal year, November 30, 1919, the total bonded indebtedness had increased to \$13,713,617.59, or approximately \$40.00 per capita; or about \$3.50 for each \$100 of taxable wealth. The total amount given was distributed as follows: Counties, \$3,525,852.40; school districts, \$3,529,467.59; cities, towns and villages, \$2,980,297.60; state, \$3,678,000.00.

Of the bonded indebtedness of counties it is found that approximately \$1,250,000 was issued for funding or refunding purposes, and it is felt that no systematic effort is made to provide for the retirement of bonds. Interest levies are made regularly but levies for sinking purposes are not made in accordance with the requirements of the laws under which bonds were issued. It sometimes happens that sinking fund levies are made in a certain year and in later years the proceeds of such levies may be used to pay interest. We do not believe that the proceeds of interest and sinking fund levies are used for any other purpose than to provide for interest and sinking funds; but proceeds of sinking fund levies are sometimes used to pay interest. The remedy for this is to require the keeping of an interest account and a sinking fund account for each bond issue in such a way that the proceeds of levies made for these purposes shall be used respectively for the purposes intended. It should be made the duty of the traveling auditor to pay special attention to the methods used for safeguarding interest and sinking fund accounts.

The practice is still found of issuing time warrants to pay current bills. When such warrants have reached a considerable amount they are funded by submitting a bond proposal to the electors. This is not, however, a common occurrence.

While this Commission believes that a system of bond control should be initiated, under which the state would issue bonds for various sub-division and assume entire responsibili-

ty for the collection of interest and sinking funds and the safeguarding of such funds, it is believed that conditions as to bond issues may be greatly improved by requiring the State Tax Commission to exercise a limited supervision over the issuance of bonds. The necessary steps in voting and issuing bonds should be prescribed by the State Tax Commission and the necessary forms used throughout the proceedings should be standardized. All proposals to issue bonds should be first submitted to the State Tax Commission for its approval, and no bonds should be held regularly issued until registered with the Commission. In approving proposals for bond issues the State Tax Commission should consider the laws governing the limitations upon indebtedness as to the legality of all the steps necessary.

The State Tax Commission might also be required to set forth such facts as the electors should know in order to vote intelligently upon the proposal. It should be made the special duty of the Commission to consider the time to run of the proposed bonds, and approval should be withheld in cases where the period of the indebtedness would exceed the life of the improvement.

The State Tax Commission should also prescribe the methods by which funds are secured to pay interest and principal. As to principal payments this Commission is convinced of the advisability of having bonds issued with provision for serial payments; that is, a certain proportion of the bonds should be retired annually. This provision should apply to refunding bonds as well as to original issues. As soon as possible we believe that the State Tax Commission should assemble full and complete data as to present outstanding bonds for various sub-divisions, and local officers should be required by law to secure and furnish such information to the State Tax Commission at the earliest possible date.

(Note: See Appendix XII, XXI.)

CONCLUSION.

In conclusion your Commission respectfully submits that because of the wide scope of the inquiry called for by the law creating our Commission, its investigations have necessarily been, in many respects, incomplete and more or less superficial. Some matters properly within the range of inquiry have been missed altogether, others have been much less thoroughly investigated than would have been the case had the time for the inquiry been longer. The attempt has been made, however, to thoroughly analyze and come to definite conclusions about as many of the problems presented as was possible in the time and with the equipment provided. Whatever merit there may be in this report is due in some degree to the assistance given the Commission by the Taxpayers' Association of New Mexico.

Acknowledgment is particularly due to Professor Robert Murray Haig, of Columbia University, who was retained by the Commission for special phases of the investigation, but who has kept up his interest in the general situation and who has been a great help in other ways.

We believe that if our recommendations are adopted, good may result, but we are conscious of the fact that neither bad laws nor defective administration are by any means wholly responsible for such defects as may now exist in our administrative system. There is no phase of governmental activity which offers such varied methods of evasion and avoidance as taxation. There are no laws within the range of our governmental system which depend so much for success or failure on the qualifications of those entrusted with their administration as do taxation and revenue laws.

We do not believe that our system of government is wrong. If from no other viewpoint than a practical and materialistic one, we are sure that our people must some time wake up to the realization that if to the many difficulties nature has handicapped us with, we continue to be embarrassed by an extravagant government, the progress in the next ten years will prove less than that during the past ten years. That the small increase in our population during the past decade, as revealed by the recent census, has been a shock to nearly all the people of this state is certain. We believe the administration of our material resources and the conduct of our public affairs could be established on a sounder and more reasonable and conservative basis. Nothing will go further at this time to re-establish confidence within and without the state than the adoption by the coming legislature, in cordial co-operation with the executive, of measures which will clearly demonstrate

that the people of New Mexico stand for the fairest and most equitable distribution of the tax burden humanly possible of attainment, and an administrative system, state, county, and municipal, founded upon the idea that government is an essential and economic necessity justified only on the basis of the greatest attainable efficiency.

Respectfully submitted this 23rd day of November, 1920.

H. J. HAGERMAN, Chairman,
W. W. RISDON,
ALBERT G. SIMMS.

We concur in the foregoing report subject to certain reservation to be specifically stated by us hereafter.

WM. G. HAYDON,
JOHN JOERNS.

**RESERVATION AS TO MINE TAX ARTICLE
BY MR. HAYDON.**

I consent to the article on "Mine Tax Law" because I do not want to obstruct any measure which the majority believe will produce the greatest income to the state, but my personal belief is that the output should be retained as a basic principle of taxing mines, allowing for producing mines proper areas, other mineral lands not of proven value to be taxed at their actual value.

W. G. HAYDON.

APPENDICES

(Note:—The appendices are not an integral part of the conclusions reached by the Special Revenue Commission. These tables, statements and memoranda are part of a large quantity of material submitted and considered by the Commission during the course of its deliberations.)

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APPENDIX I.

SPECIAL REVENUE COMMISSION ACT.

(Chapter 9, Fourth Legislature, Special Session, 1920)

AN ACT Creating a Commission to investigate and report upon the question of adopting an Income Tax for the State of New Mexico, with reference to existing systems of taxation, and appropriating money to pay the expenses thereof.—H. B. No. 12; Approved Februray 21, 1920.

Be It Enacted by The Legislature of the State of New Mexico:

Section 1. That the Governor of the State of New Mexico be and he is hereby empowered and directed to appoint a Commission of five persons, citizens of the United States of America, and citizens and residents of the State of New Mexico, who shall serve without pay and of which number not more than three shall be of one political party which commission when appointed shall have power and authority to inquire into and make recommendations as to the policy or necessity of the adoption by appropriate legislation of a system of taxation of incomes and the relation of such system of taxation to the present system of taxation of property in New Mexieo, real and personal, tangible and intangible, the taxation of the net income of producing mines and all other methods and powers of taxation in force in the State of New Mexico or which may be recommended for adoption by the legislature of the State of New Mexico.

Section 2. Said Commission shall have its office at the City of Santa Fe, New Mexieo, but it is empowered to meet at such places within the State of New Mexico as may be convenient for the transaction of its business; it shall have power to take testimony and to examine witnesses and for that purpose to administer oaths and the Attorney-General of the State of New Mexico is designated as the legal representative of said board and authorized and directed to advise with and assist the said board in its investigations and hearings. The said board may also employ such clerical help as may be necessary in the conduct of its affairs.

Section 3. On or before the 1st day of January, 1921, the said board shall make full report to the Governor of the State of New Mexico of its proceedings with such recommendations upon the subject of taxation and upon the subject of legislation affecting taxation as it may adopt and it shall further report its recommendations to the President of the Senate and to the Speaker of the House of the next ensuing regular session of the Legislature of New Mexico.

Section 4. There is hereby appropriated out of moneys in the Treasury of the State of New Mexico, not otherwise appropriated, the sum of five thousand dollars to defray the expenses of said Commission. The moneys so appropriated or so much as shall be necessary shall be disbursed upon vouchers signed by the Chairman of the Commission and approved by the Governor. Itemized statements of the disbursements under said vouchers shall be filed in the office of the Auditor of the State of New Mexico.

Section 5. That it is necessary for the preservation of the public peace and safety of the inhabitants of the State of New Mexico that the provisions hereof become effective immediately and therefore an emergency is hereby declared to exist, and this act shall take effect from and after its passage and approval.

APPENDIX II.

**ESTIMATE OF PROBABLE YIELD OF A PERSONAL
INCOME TAX IN THE STATE OF
NEW MEXICO**

The figures used in the computations which follow are taken from a publication of the United States Government which summarizes that assessment data on the federal income tax returns. The document is entitled:

**"Statistics of Income Compiled from the Returns for 1917
under the Direction of the Commissioners of Internal
Revenue. (Washington Government Ptg. Office, 1919.)**

It will be noted that the statistics are for the year 1917.

Personal income of \$2000 and over	\$20,892,721
Deduct: Contributions	\$ 182,305
Personal Exemptions	9,498,200
	9,680,505
Net subject to tax	\$11,212,216.00
Personal income of \$1000 to \$2000	\$10,752,000
Deduct: Contributions ¹	\$ 93,819
Personal Exemptions ²	8,601,600
	8,695,419
Net subject to tax	\$ 2,056,581.00
Total personal incomes of \$1000 and over sub- ject to federal tax	\$13,268,797.00

Several modifications would have to be made in the figures as determined above to arrive at the precise amount which would be subject to a state income tax, but the statistics are not furnished in sufficient detail for them to be made.

The chief modifications to be made are:

Additions.

- 1—Interest on bonds of state and political sub-divisions thereof.
- 2—Salaries of state and local officials not guarded by constitutional provisions.

(1) Estimates on same relative basis as above viz: \$182,305 :-
\$20,892,721 \times 10,752,000 = \$92,975.

(2) Estimates on the basis of \$1200 for each of 7168 returns.

Subtractions.

- 1—Stock dividends.
- 2—Interest on certain securities of the federal government.
- 3—Salaries of certain federal officers.
- 4—Interest on money borrowed to carry certain tax-exempt federal bonds.

These adjustments are not important and no great error will be made if it be assumed that the additions would cancel the subtractions.

Assuming the state administration to be as efficient as the federal, it is apparent then that a state income tax along the lines suggested would have yielded in 1917 about \$132,688 for each one per cent levied. A two per cent flat rate would have produced about \$265,376.

The tables which follow give certain details of the federal assessment of 1917 incomes which are of interest:

Number of Personal Returns¹ 1917

Number of personal returns: \$1000 to \$2000.....	7168
Number of personal returns: \$2000 and over.....	4448
Total	11616

Personal Returns

Number in each income tax group. Net income \$1000 and over, 1917².

Total number of returns.....	11616
\$ 1,000 to \$ 2,000.....	7168
\$ 2,000 to \$ 2,500.....	1473
\$ 2,500 to \$ 3,000.....	918
\$ 3,000 to \$ 4,000.....	838
\$ 4,000 to \$ 5,000.....	355
\$ 5,000 to \$ 6,000.....	233
\$ 6,000 to \$ 7,000.....	129
\$ 7,000 to \$ 8,000.....	110
\$ 8,000 to \$ 9,000.....	56
\$ 9,000 to \$10,000.....	56
\$10,000 to \$15,000.....	135
\$15,000 to \$20,000.....	52
\$20,000 to \$25,000.....	26

(1) Statistics of income, 1919, pp. 8, 10.)

(2) Statistics of income, 1917, pp. 45, 47, 49, 50.)

\$25,000 to \$30,000.....	13
\$30,000 to \$40,000.....	21
\$40,000 to \$50,000.....	9.
\$50,000 to \$60,000.....	4
\$60,000 to \$70,000.....	6
\$70,000 to \$80,000.....	2
\$80,000 to \$90,000.....	4
\$ 90,000 to \$100,000.....	1
\$100,000 to \$150,000.....	3
\$150,000 to \$200,000.....	2
\$200,000 to \$250,000.....	1

Personal Returns.

Sex and family relationship. Net income \$2000 and over, 1917¹.

Joint returns of husbands and wives, with or without dependent children, including husbands whose wives, though living with them, filed separate returns:

Number of returns	3590
Net income	\$17,110,328

Single men—heads of family:

Number of returns	171
Net income	\$696,423

Single women—heads of families:

Number of returns	50
Net income	\$266,975

Single men—all other:

Number of returns	569
Net income	\$2,452,694

Single women—all other:

Number of returns	51
Net income	\$283,406

Wives making separate returns from husbands:

Number of returns	17
Net income	\$82,895

GRAND TOTAL:

Total number of returns	4,448
Total net income	\$20,892,721
Number of dependent children	6,281
Exemption for dependent children	\$1,256,200

(1) Statistics of income, 1917, pp. 30, 32.)

Personal Returns.

Nature of Income. Net income \$2000 and over, 1917¹.

Wages and salaries	\$ 6,889,203
Business—	
Total gross sales and other income	\$34,890,072
Total deductions	26,131,834
Net income from business	8,758,238
Partnership profits	1,742,100
Profits from sales of real estate, stocks, bonds, etc.	663,414
Rents and royalties	1,136,822
Dividends—1913-16	\$ 972,878
1917	2,008,186
Total	2,981,064
Interest and investment income	475,110
<hr/>	
Total income	\$22,645,951
General deductions	1,753,230
<hr/>	
Net income	\$20,892,721

Personal Returns

Classification of returns according to nature of income.
Net income \$2000 and over, 1917².

Income from salaries and wages:

Number of returns showing salary and wages:

 as the principal source of income..... 1,970

 Amt. of income from this source on these returns \$ 5,626,143

 Amt. of income from this source on all returns.... \$ 6,889,203

Income from business:

Number of returns showing business as the

 principal source of income..... 1,878

 Amt. of income from this source on these returns \$ 9,784,053

 Amt. of income from this source on all returns.... \$11,163,752

Income from investment:

Number of returns showing investment as prin-

 cipal source of income..... 600

 Amt. of income from this source on these returns \$ 2,936,858

 Amt. of income from this source on all returns.... \$ 4,592,996

Grand Total:

 Total number of returns

4,448

 Total amount of income

\$22,645,951

(1) Statistics of income, 1917, pp. 36, 38.

(2) The income figures are gross. Statistics of Income 1917, p. 42.

APPENDIX III.

**REPORT OF SPECIAL COMMITTEE
ON MINES TAXATION.**

(Presented at the thirteenth annual conference of the National Tax Association at Salt Lake City, Utah, September 6-11, 1920.)

The Committee on a Model System of State and Local Taxation recommends for general adoption by the states three principal taxes, viz., a personal income tax, an ad valorem tax on tangible property and a tax on business. Concerning the taxation of mines it said, "We are agreed that mines should pay, under whatever method may be adopted, a tax commensurate with that paid by other real estate in the same taxing jurisdiction." We feel that in deference to the main committee, we are bound to proceed with a consideration of the subject under the limitations imposed by this principle. It is the principle which is embodied in the laws and constitutions of most of the states. It was approved by the special committee on mines taxation reporting in 1913, and we believe is supported by the main body of intelligent opinion in this country.

I.

If then mines should pay to state and local governments a tax commensurate with that paid by other real estate how should the tax on mines be imposed and collected? Our answer is,—in precisely the same manner that taxes are imposed and collected on other real estate. The Committee on Model System would retain the ad valorem tax on other forms of real estate with modernized administration. In our opinion the equalization of the taxes on mines with those on other real estate requires that no exception be made in the case of mines.

This opinion is governed by a study of the economic and industrial situation prevailing in the typical mining communities of the country in relation to the proposed Model System of taxation. The populations of these communities are almost entirely dependent on the mines. In a great majority of them the value of mining property exceeds that of all other property. No other important values exist. A few mines here and there a single mine supports almost the entire population of the local taxing jurisdiction in many cases numbering thousands of people. In many of these the mines are held or controlled by a single company. So long as the mines exist

other real estate has value but when they are exhausted no value or only nominal value. The community itself shrinks and not uncommonly vanishes with the exhaustion of the mines. In these jurisdictions the mines must pay most of the taxes it matters not under what system they are levied. On the Mesabi range of Minnesota the iron mines paid in 1919 an ad valorem tax amounting to 92.643% of the whole tax levy¹ and in Michigan in the same year 74.51% of the taxes levied in the 29 local jurisdictions in which they are located. The same relationships exist in the Michigan copper country and are typical of many of the other important mining centers of the country.

Now, if, in the Model System, the ad valorem tax on mines is abandoned in favor of a tax on income or product the local community will lose control of its main source of revenue and in lieu of the ad valorem tax it will receive such portion of the tax on income or product as may be prorated to it by the state, and this portion will be an annually fluctuating sum, large in periods of flush production, small in periods when the mines are operating at part capacity and nothing at all when the mines are closed. The tax paid by the mines would bear no relation to revenue requirements. Therefore, in periods of idleness or low production or low income the main burden of the taxes would fall on other property for the income of the community itself depends on the operation of the mines and it follows that the personal income tax would fail with the mines tax.² The effect would be that the tax rate on other property would be controlled largely by the amount of the mines tax and personal income tax and would fluctuate upward and downward inversely with the productivity of these taxes. In certain periods the tax rate on property, not including mines, would be too great to be withheld and in others it is conceivable that no tax would need to be levied on such property. Certainly there could be no current equalization of the taxes on mines and other real estate and of course, therefore, none in the long run, for a moment's thought is sufficient to reveal not only the political difficulties in the way of frequent revisions of the tax rate on the income or product of the mines but also the variables in the equation which in themselves would defeat a fair solution of the problem.

(1) In this state mines are assessed for taxation at 50% of cash value, urban property at 40% and rural property at 33 1-3%.

(2) It is assumed that under any system of proration of the personal income tax by the state the local jurisdiction would not receive at the most more than the sum originating within it.

II.

It should not be forgotten in discussions of mines taxation that the interests of the local taxing jurisdictions are paramount in any system of taxation devised for the American state. The bulk of the public expenditures is not made by the state or by the state and counties combined, but by the cities, villages, townships, school districts, and local jurisdictions of other descriptions. The tax on property has been the mainstay of the local community, it would be under the proposed Model System. Whatever may be the merits of the taxes based on the production or on the income of mines from the viewpoints of the state and the mine owner, they are ill adapted to the requirements of the local communities. The necessary control of the rates of such taxes by the state deprives the local mining jurisdiction of the control over its own finances to an embarrassing degree and imposes on it a tax system which would starve the treasury in some periods and flush it in others. Those who are familiar with local finances and local politicians will hesitate to pronounce which is the greater evil, an empty treasury or a great surplus.

The property tax is the elastic element in the Model System; if mines are excluded from its provisions the elastic element will practically disappear in the typical mining jurisdictions where the value of the mines comprehends from fifty to ninety-five per cent of the value of all property.

III.

We believe that mines should be taxed for revenue only and condemn the super-taxation of mines on the one hand and on the other, exemption or under-taxation. A classification of real estate for taxation opens the door to exploitation of the numerically weaker elements in the population by the dominant elements. Witness, Minnesota. In this state agriculture is predominant. Under the constitutional amendment of 1907 the legislature decreed that real estate should be assessed for taxation as follows:

Rural lands and farms 33 1-3% of cash value,
Urban property 40% of cash value,
Mining property 50% of cash value.

Why the legislature stopped at 33 1-3% on rural lands and farms is not apparent to us; nor do we find any reason why city property and mines should pay more taxes in proportion to value than rural property. On two occasions since

1907 the mines escaped additional super-taxation in the form of a production tax through the action of the Governor in interposing his veto. The developments in Minnesota should be carefully pondered by those who would give into the hands of the state legislatures the power of classification of real estate for taxation through constitutional amendment. The prevailing constitutional rule of uniformity so far as it applies to real estate is a wholesome restraint on the misuse of legislative power by a dominant element or class and in our opinion it should be carefully guarded in all proposed amendments which purpose only the exclusion of intangible and personal property from the application of this rule.

On the other hand it appears that in certain of the states where the mining element of the population is relatively much stronger numerically and politically than in Minnesota, legislative devices have been found to ease the tax burden on mines at the expense of other property. The root of the trouble in these states, as in Minnesota, is not to be ascribed entirely to human selfishness. Under the tax systems prevailing today in nearly all of the states, the burden falls with crushing weight on real estate and other visible property, mainly on real estate. It is partly because real estate is over-taxed nearly everywhere that we find the owners of it arrayed class against class, as in Minnesota. This is one of the social results of the failure of the general property tax to spread the burden fairly and equitably. It is the outstanding merit of the Model System that all able-to-pay elements of the population will be reached and fairly taxed.

IV.

Not including the students of taxation as such, the critics of the taxation of mines under the ad valorem system at the same level as other real estate may be divided into two classes, viz., those who believe the yield is relatively too low and those who believe it is relatively too high. There are of course various shades of opinion in both classes. In the first class are at one extreme the proponents of public ownership of mineral wealth and at the other those who, adhering to the institution of private property in minerals, would assert a public equity in mineral deposits beyond that which is satisfied by taxation for revenue only. In the second school are included those whose contact with mining has impressed them with its financial hazards and uncertainties. They believe that mines should be set apart from other property for taxation at a lower level and that prospects and idle mines should not be taxed at all, with the end in view of encouraging investment in mining en-

terprises particularly new enterprises on which depends the maintenance of mineral production. We find that here one of these schools and there another has influenced the action of state legislatures or furnished an issue for political campaigns.

This committee harbors no distinction in theory between the various forms of property for taxation. We would depart from the rule of uniformity so far as considerations of expediency and practicality based on experience demand. The exemption of invisible or intangible property in the Model System, while maintaining the tax on other property, is a concession to human weakness, insurmountable administrative as well as economic difficulties and other difficulties attaching to the political organization of a federal government. But there are no such insurmountable obstacles in the way of taxing mines as other real estate is taxed and we, therefore, believe that the rule of uniformity should govern. Subsidies on the one hand and penalties on the other administered to industry through the devices of taxing is a dangerous perversion of the taxing power of the state. It is opposed to inter-state comity in taxation, fostered in the provisions of the Model System, and introduces an unnatural disturbing element in the economies of the internal commerce and development of the country.

V.

This discussion has proceeded on the assumption that mines and other real estate will be subject to both state and local taxation. It is not conceivable that the local jurisdiction can dispense with the tax on mines for, as we have pointed out, the mines constitute the bulk of the taxable value and furnish directly and indirectly the support of the great majority of the people in the typical mining jurisdiction. Should the state abandon the property tax the principle of the equalization of the tax on mines with that on other real estate, laid down by the Committee on Model System, would require that it also abandon the tax on mines.

It has been argued in certain state legislatures and in political campaigns in some states that the property tax on mines should inure to the local jurisdiction only, the state levying its tax on product or income. It may be observed that this plan has found support in some instances among those who desire super-taxation of mines, and in others among those who seek to ease the burden on mines at the expense of other property. It has also been supported by those who would abandon the property tax entirely for state purposes. Whatever the viewpoint from which this dual tax is supported, the plan is opposed, if not by design, certainly in its results, to the equaliza-

tion of taxes on mines with those on other real estate and is, therefor, not commended. A second not less important reason for opposing this dual system is that the interest of the state in an equitable administration of the ad valorem tax on mines depends, obviously, largely on its participation in the revenue.

VI.

We believe that ad valorem taxation of mines by state and local jurisdictions under direct administration by a State Tax Commission or Tax Commissioner is a thoroughly practical method of taxing mineral wealth. We are not unmindful of the difficulties besetting the administration of such a tax. If the assessments are made by townships, city, and village assessors, it cannot be operated satisfactorily. But the Model System contemplates a State Tax Commission or Tax Commissioner in every state with power of original assessment of certain property and presumably with power to maintain such expert assistance as may be necessary.

Such a centralized administration is indispensable for a satisfactory administration of the ad valorem tax on mines. What has already been done under centralized administration in Michigan, Wisconsin, Minnesota, and Arizona, can be done in other states. We believe that those who ascribe the success of the system in these states to the character of the mines more than to central administrative control are misinformed. Every problem of assessment and administration that could conceivably arise anywhere occurs in principle in the application of the system in these states. They have all been satisfactorily met.

It is true that the appraisal of mining property, particularly certain types of mines and partially developed mineral deposits is impossible for the unskilled assessor and not easy for the trained expert. But the difficulties in these states have been overcome by systematic investigations and study carried on from year to year. In Minnesota there is a liaison between the Tax Commission and the School of Mines, in Wisconsin and Michigan between the Tax Commission and the Geological Survey. Into the hands of these experts is given complete operating records of the mines, mine maps and all other data in the hands of the mine operators. All of this is supplemented by examinations on the ground and friendly co-operation of the operators. Every consideration and evidence affecting values is explored and weighed. Confidence and good will govern the relations of the state officials and the operators.

Approved methods of determining mining values for taxation should not differ in principle from those used in ordi-

nary commercial transactions, for whatever a property is worth commercially, it should also be worth for taxation. We are using the term mine in a broad sense to include not only mines as they are commonly thought of but also oil and gas wells, all non-metallic minerals such as limestone, salt, gypsum, clay, etc., in short all mineral bodies which are valuable, irrespective of whether they are quarried, pumped, or mined, and of course the existing appurtenances for exploiting them. The method of valuation for taxation will, of course, vary in detail with the character of the properties and perhaps also with the means at the disposal of the Tax Commission or Tax Commissioner. But the value sought should be the amount which the mine should command in the event of sale at the time of assessment. This is the ordinary rule governing the assessment of other real estate. In this connection we may add that prescription by state legislatures of formulae for the valuation of mines is a usurpation of an important function of the Tax Commission or Tax Commissioner and in its results is opposed to the principle of equalization of the taxes on mines and other real estate. A study of the mines in any state will suggest to a competent Tax Commission or Tax Commissioner practical and equitable methods of valuing them for taxation.

It is characteristic of mining property that its value fluctuates from year to year, in many types in startling suddenness and amount. We contemplate such administration as will maintain contact with current developments.

A common objection to the ad valorem tax is that idle mines will be taxed. In our opinion they ought to be taxed if they are valuable. There is no more reason why idle mines should be relieved of taxes than non-productive property generally should be. If a mine is idle there is in the ordinary case a reason for it of a nature to depress the value far below what it would be were the property in operation, but so long as the mine has sale value, that value should be the measure of its relatively tax so long as other real estate is similarly treated.

Neither are we impressed with the often voiced opinion that an ad valorem taxation for revenue only at the same level as other real estate restrains to a too serious extent the development of ore reserves in advance of current requirements and discourages exploration for and development of new mines. Mining development in Arizona has not been perceptibly repressed by the ad valorem tax. In Michigan, Wisconsin and Minnesota, the reserves of iron ore now estimated at about 2,000,000,000 tons, or a thirty years' supply at the present rate of shipment, have been built up by exploration despite this tax. After all, the tax is merely an element of cost and will be reckoned with precisely as other costs are. The miner naturally will conduct his

operations at the lowest possible cost but if he neglects to develop his reserves in advance of the needs of the moment, his ultimate loss is bound to exceed many fold the saving in taxes. The experience in Michigan, Minnesota and Arizona warrants the dismissal of this objection.

It is often urged in favor of a tax on income or product that ore in the ground is taxed (under the ad valorem system) year after year until it is mined and sold so that the heaviest tax is paid by the mineral of least present value or that which is last mined. Of course, there is no pyramiding of taxes on unmined mineral as an actual fact of accounting and financing. Obviously, all charges in excess of, or advance of income, are capitalized and taxes are no exception. Taxes, like operating costs, are chargeable against the income of the year and are so disposed of as a practical matter. It is true of course, that taxes on idle mines may, in certain cases, amount to a formidable deferred charge against the unmined mineral but in this we find no reason for the exemption of idle mines from taxation so long as other non-productive property must be taxed. The income tax, the specific tax on product and the gross receipts tax, would of course, relieve the idle mines. From the standpoint of the taxpayer, and from the administrative standpoint as well, the income tax is to be preferred to an ad valorem tax; the taxpayer would doubtless prefer even the tax on production or gross receipts if the rates are nominal and such taxes are admittedly easy to administer. But, as we have said, taxes such as these are not adapted to the local jurisdictions and are opposed, as a practical matter, to the principle of equalization of the taxes on mines and other real estate.

Summary:—Summarizing the recommendations, your committee approves the principle of equalization of taxation of mines and other real estate, opposes the classification of real estate (including mines) for taxation at different levels, or by different methods, and advises the inclusion of the ad valorem system of mines taxation, under centralized state authority and control, in the Model System of State and Local Taxation.

APPENDIX IV.

**ASSESSMENT AND TAXATION OF MINES
AND MINERAL LANDS.**

The producing mines in New Mexico are practically all found in six of the twenty-nine counties of the state, Colfax, Grant, Hidalgo, McKinley, Santa Fe and Socorro. In certain years such mines operate on a small scale in the counties of Dona Ana, Lincoln, Luna, Rio Arriba, San Juan, Sandoval, Sierra and Torrance. Producing coal mines are found in Colfax, McKinley, Rio Arriba, San Juan, Santa Fe and Socorro counties; producing metal mines in Colfax, Dona Ana, Grant, Hidalgo, Sierra and Socorro counties. Non-producing mines and mineral lands are largely confined to these counties, though some developments are carried on in two or three other counties. The assessed value of all mines and mineral lands, including surface values and improvements approximates \$35,000,000 or about 9% of the total assessed valuation of the property subject to tax in the state for the year 1919. Of this total \$15,711,536 is the assessment upon net output, representing the value of the mineral content in lands of producing mines. The remainder of about \$19,000,000 includes the assessed value of the surface and improvements of both producing and non-producing mines and mineral lands and the mineral content of non-producing mines and mineral lands.

As to the assessment of the value of the net output which is shown elsewhere for each producing mine for the years 1915-1919 inclusive, the following data for the years 1918 and 1919 will be of interest. In the year 1918, forty-one metal mines showed gross earnings of \$19,875,888.03 and total expenditures of \$15,486,713.14, the net earning being \$4,337,473.71. The value of the net output of the mines for that year was \$13,346,903.00. In the same year twenty-three coal mines earned a total of \$13,764,486.41 with expenditures amounting to \$11,649,228.18, the total net earnings being \$2,015,258.25. The net output was assessed at \$3,745,352.00.

For the year 1919, seventeen metal mines reported aggregate earnings of \$10,743,555.19 and expenditures amounting to \$11,711,909.58 a loss of \$968,354.39. The assessment of the net value of the output of the seventeen mines was \$12,770,547.00. For the same year, sixteen coal mines reported gross earnings totaling \$10,826,736.67 and gross expenditures totaling \$9,713,997.91, the net earnings being \$1,112,738.72 while the net output assessment was fixed at \$2,940,989.00.

Assuming a total valuation for taxation purposes of all mines and mineral lands with surface and improvement values

included of \$35,000,000 it is estimated that the mines and mineral lands pay approximately \$700,000 in taxes for state and county purposes including roads and schools, or about 8% of all taxes. The average tax rate applying to mines is conservatively placed at 2 per cent. The commission has been unable to secure full information as to taxes paid by the mines of the state, as only a few of the larger producing mines submitted adequate data. The increase in revenues arising from mine taxation for the period 1915-1919 is shown in the following table and from a statement giving an abstract of taxes paid by the Chino Copper Company (Appendix XIX) during that period.

TAXES PAID BY NINE PRODUCING MINES 1915-1919.

Name of Company	County	1915	1916	1917	1918	1919
Maxwell						
Land Grant, Colfax		\$11,710.12	\$13,333.15	\$18,206.90	\$15,062.96	\$22,559.00
Company						
St. Louis						
Rocky Mtn. Colfax		28,331.11	26,588.60	53,133.76	59,255.42	76,805.79
Pacific Co.						
Phelps-						
Dodge Corp. Colfax		12,423.36	18,631.50	37,350.84	44,422.40	53,270.13
Dawson						
Phelps-						
Dodge Corp. Grant		2,707.23	10,716.86	33,808.11	34,742.46	52,214.99
Tyrone						
Chino						
Copper Co. Grant		104,105.77	142,246.68	181,345.07	177,186.86	327,439.10
Diamond						
Coal Co. McKinley		1,065.68	1,154.39	2,120.64	5,298.46	10,188.44
Cherokee &						
Pittsburgh Santa Fe		4,417.15	4,510.31	6,802.44	7,479.26	10,172.40
C. & M. Co.						
Ozark						
Smelting Socorro		2,765.79	2,328.52	4,097.48	4,113.98
and M. Co.						
American						
Silver Corp. Socorro		5,649.43	4,945.68	3,776.42	2,721.81	5,771.90

APPENDIX V.

**METHOD OF AD VALOREM ASSESSMENT OF
MINES IN MINNESOTA.**

The fourth biennial report (1914) of the Minnesota Tax Commission contained in Chapter VI, Mines and Minerals, a very comprehensive exposition of the procedure followed in bringing to life and light the mineral wealth of the state. Therein was set forth the methods used in determining and establishing the future value, the discounted or present value of the future value, and finally, the taxable value of the realty containing the known, developed, measured deposits of merchantable iron ore and manganeseiferous ore. The mineral valuation system originated with the Commission immediately after its creation in 1907 and was explained in its preliminary report of 1907. Each biennial report of the commission deals with the subjects of mineral valuation, and explains the successive steps taken to make the necessary yearly adjustments, changes, increases, etc., as the same may appear necessary.

The mineral wealth of the state is so great and of such increasing importance and subject to so many changes that the mineral department of the tax commission, and its associate consulting mining engineer, the Minnesota School of Mines, are constantly at work obtaining and preparing data to enable the commission to arrive at and fix the full value of this form of property. Thus, in taxes, does this class of property contribute its share of the cost of state, county and local government.

Since 1907 the tax commission has made a constant, continuous study, from every angle and viewpoint of the mineral wealth of the state. It has studied the geology of the ore bearing districts, and through the diamond drilling, churn drilling, test pitting, exploration and development work, the commission has an intimate knowledge of the known developed deposits of ore. The commission knows that with the exploration data at its disposal these ore bodies can be definitely and accurately measured and the tonnages and grades of ore known sufficiently close for all practical purposes. It is in constant touch with the newly developed ore in order that the same may be placed on the assessment rolls. In like manner it keeps itself informed of the opening up the properties for active operations, and it knows of necessary revision of exploration measurements required to adjust the tonnages to actual conditions disclosed by active mining.

Here, then, is a vast tonnage of approximately one and one half billion tons of iron ore, definitely and sufficiently

known for all practical purposes. Much of it, indeed most of it, will not be mined and shipped to its market for many years. It is of various grades and it is at present, or will be in the future, mined in various ways. Most of it will be mined and shipped in its native, natural condition; some will have to be washed to eliminate the sand, and some will have to be dried to extract the excess water. Various forms of beneficiation will have to be used to concentrate and convert a low grade ore, or an "ore material" into merchantable ore that can be produced and delivered to the market at a commercial profit.

Notwithstanding all these seemingly conflicting and confusing factors, the value according to grade of tonnage contained in each of the several hundred developed ore deposits can be easily ascertained for taxation or any other purpose of valuation. Thus as long as any of it remains in the ground, as long as it has value, present or future, the realty containing the same contributes its taxes to the support of state, county and local government.

The amount of taxes naturally depends upon the tax rate each year established by state, county and local authorities and levied against the assessment of each description of realty containing a deposit of merchantable ore.

There is absolutely no difference between the future value of ores of equal grade whether contained in an active shipping deposit or contained in an inactive reserve deposit, without mining developments of any kind, and that may not be touched for years to come. There is, however, a very great difference in the present value of two such deposits.

The active shipping deposit will have for mining a short exhaustion period, and a short discount term must be used to determine the commuted or present value of its total future value.

The inactive reserve deposit will have for mining a long exhaustion period and a long discount term must be used to determine the commuted or present value of its total future value.

Here we reach the point where the procedure may be formulated by which the ad valorem value may be ascertained and fixed upon the many deposits and various grades of iron ore.

We, therefore, use a common sense, practical application of the well established law of general averages, and of standard governmental statistical periods of five or ten years, both as to the price of ore delivered on the market and as to the costs of production and delivery. We are dealing with long time values, so that prices and costs excessively or abnormally high

or low must be avoided. What is desired are general averages of pries and costs that fairly represent present or prospective future normal conditions.

Many checkings since 1907 by the tax commission have demonstrated that the law of general averages, when intelligently applied, produces results very close to actual conditions subsequently found to exist. Moreover, the commission is safeguarded through knowledge of current conditions as they may appear, in its consideration of the annual equalization of the mineral assessment. To meet such changed conditions the commission made general raises in the mineral assessment of 5 per cent in each of the years 1910, 1912 and 1914, and the 1914 raise was made to place iron ore on a basis of 50 per cent of its full value in compliance with the newly enacted taxation law classifying assessments.

Royalty paid to the fee owner, which must come out of operating profit and consume some or all of such profit, has nothing to do with the value of iron ore for the purpose of taxation, and is excluded by the commission from costs or general averages of production and delivery.

Here, then, is the application of the law of general averages in determining the present taxable value of the total tonnage of ore in any given deposit, and of a general average grade as disclosed by an analysis of every five feet of exploration drilling.

Ascertain what an ore of such a grade has sold for per ton on the open market over a standard statistical period of five or ten years, and calculate its general average market price. If such calculated general average market price does not fairly represent what should be a close approximation to present and possible future market price conditions, then an arbitrary adjustment must be made to fix a price that will represent such conditions. In this manner a market value can be obtained on great tonnages of even low grade ores that individually have no value, but receive pro rata value through mixture with other high grade ores. The general average grade of the mixture being of commercial grade and acceptable to the blast furnace for conversion into pig iron.

The next step is to ascertain the total cost per ton (exclusive of royalty) of producing and delivering such an ore to the market (Lower Lake docks) over a standard statistical period of five or ten years, and calculate its general average cost.

If such calculated general average cost does not fairly represent what should be a close approximation to present and possible future cost conditions, then an arbitrary adjustment must be made to fix a cost that will represent such conditions.

The next step is to deduct from the determined general average market price per ton the determined general average total costs of production and delivery per ton. The difference is the gross operating full value per ton, and represents the future full value per ton of the total tonnage in the deposit.

No deposit can be mined out all at once. It takes a great many years of mining and shipping to exhaust some mines. A comprehensive study of mining operations of the past enables one to make a close approximation of the exhaustion of known ore deposits and what term of years can be safely taken as the discount period. A safe commercial rate of interest that represents the present and possible future worth of money must then be taken.

Thus we have the desired determining valuation factors: (1) the future full value per ton, (2) the future discount period (ore exhaustion), and (3) the rate of interest to use for discount.

When we discount the future full value per ton, for the ore exhaustion period, at the rate of interest taken, the result is the present full value per ton. Fifty (50) per cent of that amount is the taxable value per ton, as iron ore is assessed at 50 per cent of its full value. When the total tonnage to be mined in the future is multiplied by the ascertained taxable value per ton, the result is the present taxable value of the total tonnage.

As a matter of fact this is the only logical method, after including royalty, to be followed by any operator who desires to anticipate and capitalize the future expected net operating profit, through a bond issue secured by a mortgage on the property containing an iron ore deposit. He has only an equity in the value, the net operating profit. The limit of the bond issue is fixed, as such equity must produce the required interest as due and the payment of the principal at maturity.

Among the items of costs of production and delivery considered by the commission, to arrive at net taxable values, are: mining labor, loading, unloading and dockage, rail freight, lake freight, mining supplies, concentration, insurance and brokerage, administration, taxes, etc.

To illustrate the procedure, assume a good grade of ore will average \$4.00 per ton delivered at Lower Lake ports, and that the general average of production and delivery costs (exclusive of royalty) will be \$3.00 per ton; the difference \$1.00 per ton represents the future full value per ton of the total tonnage in the deposit. Assume that it will require 20 years to exhaust the deposit and to obtain the total full value of the total deposit and assume that money is worth 8%; the present

value of \$1.00 per ton per annum for 20 years at 8% interest is \$0.505, and 50% thereof, or \$0.25, is the present taxable value.

A thorough investigation disclosed the extent and character of various deposits of the Mesabi and Vermilion Ranges, and since 1914 of the Cuyuna Range, and on account of these deposits containing ore of various equal general average grades and with similar present or future open pit or underground mining operation, they almost automatically segregate themselves into twelve classes, with (1) three groups of active or present open pit mining, (2) three groups of reserve or future open pit mining, (3) three groups of present active underground mining, and (4) three groups of reserve or future underground mining.

While the classes and rate per ton are of great convenience for use in adjustments to meet actual values, there is nothing sacred or final about them. Regardless of conveniently termed "active mine rate" and "reserve rate", any rate appearing in such a wide range of rates that can and will produce the required and desired valuation is freely used by the commission whenever necessary. The large amount of reserve ore assessed at low rate on account of very long exhaustion periods, is in that class only temporarily. Many such properties each year, as they are developed for active mining, are re-rated and the rate is increased to the proper class in which they enter.

APPENDIX VI.

**REPORT OF BOARD OF STATE TAX COMMISSIONERS
AND STATE BOARD ASSESSORS, MICHIGAN
1917-1918**

The Board of State Tax Commissioners annually reviews the assessment of iron mining properties, thus extending a closer supervision over that class of property than over any other class except public utilities. The reason for this is that, while the fluctuation in the total value of all iron mining properties in the state may be small, there may be at the same time enormous fluctuations in the value of individual properties. The value of every mine is in the ore it contains. A shipping mine is a diminishing asset, decreasing annually in value according as ore is shipped, eventually reaching zero. Exploration and development, however, are continually going on and frequently disclose ore bodies not previously known both in existing mines and in undeveloped territory. The extent and richness of these new ore bodies must be determined by a competent mining engineer and the value computed for assessment purposes. The grade and quality of ore are subject to frequent change, as also are the trade conditions of the iron and steel industry upon which depends to a large extent the value of iron ore as the raw material of such industries. The mining industry also, in assessing districts in which located, generally overshadows all others in importance, often exceeding in amount the combined value of all other property. The population in such district is, to a large extent, directly or indirectly, dependent on the mining industry for support, thus making possible to a greater degree than elsewhere political and economic control of local public affairs, including assessment and taxation. Local assessing officers, also, are not always competent through experience or education to properly apply scientific principles of mining valuations. Because of these reasons the Board of State Tax Commissioners has, since 1912, annually reviewed the assessment of iron mining properties.

The method of assessing mining property, which has come to be known as the "Michigan System of Mine Appraisal", and which has been adopted in whole or in part by other states, is an outgrowth of the method made use of by Mining Engineer J. R. Finlay, in 1911, in his work for the state, modified in its application by State Geologist R. C. Allen appraiser of mines for the Tax Commission, so as to meet assessment requirements and in other respects where shown desirable by experience.

Stated in the briefest manner: The value of an iron mine is the present worth of the sum of money representing the calculated difference between the amount received from ore sales and the cost of mining and marketing the ore, figured on the entire tonnage which the mine may be expected to produce. The total net profits, in other words, reduced to present worth, not allowing as items of operating expense, royalties and costs of general exploration work.

The calculation is the product of three factors:

- First: Total tonnage of available ore;
- Second, average annual excess per ton of receipts over actual cost of operation.
- Third: The present worth of one dollar that is to be paid in equal annual installments for a period of years corresponding to the productive life of the mine.

For the purpose of determining the first two factors each mining operator, whether an individual or a corporation is required:

- First: To make to the Board of State Tax Commissioners, on forms especially prepared for the purpose, a report, duly executed before a notary public, showing the financial statement of the operation of each mine or mining property owned, operated or controlled by such operator, covering the period of the preceding five years.
- Second: To furnish a complete set of mining maps showing each mine level, cross section, record of drill holes, pits, shafts, etc.; also a map showing boundaries of each property, and the relation of the ore bodies to other mining properties; all maps, plats, records etc., are required to be signed, dated and duly executed by the operator or a responsible officer of the company.

The State Geologist and his assistant, who is a competent mining engineer, annually examine each mining property above and below ground, for the purpose of checking up the information furnished and for obtaining such other data as may have a bearing upon values. From these reports and personal examinations the total tonnage and the annual excess per ton of receipts over actual costs of operation is determined.

In figuring the tonnage not only ore in sight or developed ore is considered, but prospective ore. The amount of de-

veloped ore in producing mines may be calculated with comparative ease; but the amount of prospective ore can only be determined from geological conditions, mining practice, and the experience of other mines in the district. In nearly all mines there certainties, probabilities and possibilities for the recurrence of ore beyond that actually developed. In all cases the appraiser attempts to ascertain the total amount of ore which may reasonably be expected to be produced from the property. As a matter of actual results of this method of mine appraisal, the tonnage of prospective ore for which mines are actually assessed considerably exceeds the tonnage of developed ore.

The product of total tonnage multiplied by calculated profit per ton will, in most cases, be far in excess of present value because the rate at which ore can actually be mined from a given property is limited by both physical and market conditions. As a matter of fact the extracting and marketing of the ore in most mines will occupy a period of years and the income, therefore, will be realized in annual installments extending over the same period of years. The life of a mine, which is the period that will be required for mining and shipping the ore, must, therefore, be taken into account. This is calculated by dividing the total estimated tonnage, developed and prospective, by the average annual shipments based on the experience of five years. Having determined the annual installments of profit and the number of such annual installments, the product of the two is reduced to "present worth" by the annuity method using an interest rate of 6% for both principal and sinking fund. In all the calculations necessary as to annual receipts from ore sales, annual expenses of operation, and annual shipments to determine the life of a mine, the average for the preceding five-year period is taken. The reason for this being that in this way violent fluctuations in assessments are avoided and the effect of conditions operating for one year only are reduced to a minimum.

It is obvious that an undeveloped property can have no operating records from which profits may be calculated, or the life it would have as an operating mine determined, and that information as to the size and richness of the ore body may not be complete. For determining the expectations of such a property the actual information obtained is supplemented by the experience of mines under similar conditions in the district in which the undeveloped property is located with proper allowance for the time necessary for developing such property to the productive stage.

The above methods are applicable in general, but may be modified by conditions appurtenant to individual cases, such

as the physical condition of the property, state of development, operating history of the mine. Such modifications involving departure from the general method are applied in accordance with the judgment of the appraiser of mines (the state geologist) and Board of State Tax Commissioners and need not be considered here.

In working out the Michigan system of mining appraisals the Board of State Tax Commissioners has had in mind the fact that mines, like other property, must be assessed at their full cash value and that the statute defines "cash value" to be the usual selling price of the property. Iron mines, however, are rarely bought and sold and, as in the case of public utilities, methods of ascertaining value that are almost universally followed by a prospective buyer will most nearly meet the requirements of the statute. That the Michigan method above described produces figures that represent with very approximate accuracy the true present worth of iron mines is the belief of the Board of State Tax Commissioners. As bearing on this question it is only fair to refer here to the fact that only two instances of bona fide sales of operating iron mines have occurred in the past few years and both were made at figures below their appraised value for taxation. The following table will show the assessment of the iron mining properties as made by the supervisors in 1911 and as appraised by the Tax Commission the same year and subsequent years:

By Supervisors.....	1911	\$26,987,477
By Tax Commission	1911	92,931,469
	1912	90,142,436
	1913	95,884,215
	1914	92,090,349
	1915	89,757,605
	1916	90,737,608
	1917	91,829,286
	1918	108,203,419

During the period beginning with 1911 and down to the date when the 1918 mining appraisal was made there were shipped from Michigan mines 93,310,698 tons of ore. It is apparent, therefore, that as a result of development and discovery additional tonnage of ore both in operating mines and in new territory has been located, appraised and placed upon the assessment roll sufficient in amount, together with the increased value given to ore tonnage already located and appraised, to more than offset the tremendous shipments of the past few years.

It is to be noted that the annual re-appraisal of mining properties extends only to operating mines and real estate known to contain ore bodies not yet developed. All other property is left to the local assessor and board or review as in other assessing districts of the state. In all mining districts there are lands on which no ore bodies have been located, but on which there is greater or less possibility of the occurrence of ore. The Board of State Tax Commissioners does not attempt to appraise such lands or to assist the local assessor in doing so, inasmuch as they have no information not possessed by the local official. The appraiser of mines has attempted to assist local assessing officers by indicating to them the descriptions that, because of locality and geological conditions, are most likely, in his judgment, to contain ore. An examination of the assessment roll of any mining district will disclose the fact that assessing officers do take into consideration the probability of the existence of undiscovered ore bodies. The assessment of this class of property is rendered difficult by the fact that in mining districts, not only operating mines, but lands having ore possibilities, are very rarely bought and sold and there are few transactions from which to determine the "usual selling price" of property. The leasing system very generally prevails, and prospecting for ore is done under a lease which provides for royalties, in case ore is discovered, but not for the purchase of the property. The results of successful operations are reported to the appraiser of mines and the property is at once appraised and the valuation reported to the local assessor at the next annual re-appraisal. This leasing system encourages exploration work, but it provides assessors with little data based upon "selling price". The Board of State Tax Commissioners and, we believe, local assessing officers in mining districts, will welcome assistance from any source that will aid in appraising this class of property.

APPENDIX VII.

**SHORT BALLOT STRONGLY URGED BY THE
TAXPAYERS' ASSOCIATION OF
NEW MEXICO.**

At the annual meeting of the Taxpayers' Association of New Mexico held in October, 1919 there was a discussion of the questions of government costs, in state and county government in New Mexico and it was the unanimous opinion of the meeting that only through greater simplification and more thorough co-ordination of governmental offices and functions can the evils of inefficiency and extravagance be corrected. With a view of attempting to bring about such desired co-ordination in our governmental system a committee of the Association was appointed to study the question and to draft a report of its finding for the consideration of the association. On this committee were appointed Ex-Governor W. E. Lindsey, Mr. Neill B. Field, Mr. James G. Fitch, Judge E. R. Wright and Mr. Frank W. Clancy. The full report of the committee to the Association is as follows:

Albuquerque, New Mexico.
February 21, 1920.

To The Taxpayers' Association, Santa Fe, New Mexico:
Gentlemen:

The undersigned committee appointed October 16th, 1919, at the annual meeting of the Association, according to the provisions of the following resolution, to-wit: "Resolved: That it is the sentiment of this Association that the most efficient remedy for the governmental evils in our state government, so well stated by Governor Lindsey and Judge Wright, is to be found in the reduction of the elective officers to the smallest practical number with a view of uniting power and responsibility, which will result in consequent increased efficiency", respectfully report as follows:

I.

We recommend that the Association endorse the following draft of a joint resolution proposing an amendment to the Constitution of the State of New Mexico and urge its adoption by the legislature at its next session:

Joint Resolution No. _____

"Be it Resolved by the Legislature of the State of New Mexico:
That the following amendment to the Constitution of the

State of New Mexico to be known at "The State Short Ballot Amendment" is hereby proposed to be submitted to the electors of the State for their approval or rejection at an election to be held in the State on the Tuesday next after the first Monday of November 1921.

That hereafter no state executive officer or commissioner shall be elected at the regular election held in the month of November, 1922, or at any election thereafter, except a Governor and a Lieutenant-Governor, each of whom shall hold his office for a term of four years beginning with the first day of January next after his election. The Governor shall nominate and by and with the advice and consent of the Senate appoint all other state executive and administrative officers created by the Constitution or laws of the State of New Mexico, including those hereafter to be created and all such officers shall hold their respective offices during the pleasure of the Governor.

State executive officers and commissioners heretofore elected by the people shall continue in office during the period for which they were respectively elected unless sooner removed in accordance with existing law."

II.

In order that the subject matter covered in the resolution of our appointment may be brought to the attention of the people of the state, particularly to the voters thereof, we recommend that the following draft of a platform plank be approved by the Association and urged for adoption into the party platforms in the conventions of all parties this year for the nomination of candidates for state officers:

"We favor the adoption of the principle of the short ballot in the Executive Department of the State Government; also the consolidation of state administrative functions into an appropriate number of departments with appointive heads who shall constitute the Governor's Cabinet; and we believe that all department officials and employees subordinate to the appointive head thereof, should receive appointment and hold tenure of place according to merit, the same to be determined by adequate civil service code; and, if successful at the polls, we pledge ourselves to use our best efforts for the accomplishment of all the foregoing as speedily as may be."

III.

We believe that the adoption of the principle of the short ballot in the executive department of our state government will

go far to relieve our people from the burden of the present irresponsible, extravagant, and un-democratic government which is plunging the state into more and more debt, and more and more increasing the burdens of taxation without any corresponding benefit or protection and more and more preventing the investment of capital in the state, for the development of its natural resources.

IV.

We believe that the tendency to centralization of power and authority in the general government made specially manifest during the Nation's participation in the "World War" and the consequent encroachment upon the constitutional power and authority of the states can be successfully resisted only through a like consolidation and centralization of power in the state government, whose executive should be clothed with sufficient authority to control public expenditure and the administrative policy of the state and who would exercise his powers with a full sense of his responsibility to the people while the people would thereby be enabled to place responsibility for extravagance and mal-administration of public affairs. Experience has demonstrated that the increasing costs of the administration of the government are directly traceable to diversified responsibility; a large number of elective officers detract from executive power and make it difficult, if not impossible, for the people to locate responsibility for results which they disapprove and prevent them from securing efficiency in government which is the principal concern of the taxpayer.

Some of the states have already adopted this reform, noticeably the state of Illinois, with great success. It is under consideration in many others. We respectfully recommend that your Association urge it upon the people of New Mexico.

W. E. LINDSEY, Portales,
Chairman,
JAS. G. FITCH, Socorro,
F. W. CLANCY, Santa Fe,
NEILL B. FIELD, Albuquerque,
E. R. WRIGHT, Santa Fe,
Committee.

The Executive Committee of the Taxpayers' Association has been consulted as to this report and it is the opinion of that committee that the recommendations of the Lindsey Committee be unqualifiedly endorsed by the Association and that

the Association do all that it can properly do to secure the adoption by the legislature of the resolution recommended and by the political parties of the platform plank suggested. With this in view copies of the report will be sent to the party leaders of the various political parties asking that the action recommended be taken at their respective conventions.

The report of the Committee of which Governor Lindsey is chairman and whose members are men of the highest standing in the community with long experience in public affairs was drawn up after mature and careful deliberation and merits the careful consideration of the people of the state. Our constantly increasing total and per capita cost of government makes it positively necessary that the people through their elected representatives, devise methods for more business-like and less costly administration of their affairs. It will be next to impossible to attain this end until we have a responsible government and if the plan proposed meets with the backing and sincere endorsement of the voters of New Mexico, irrespective of party, we believe it can be made to solve many of the difficulties we now labor under.

We heartily commend the report to the public and bespeak for it the active help of every well-wisher of the state.

THE EXECUTIVE COMMITTEE OF THE
TAXPAYERS' ASS'N OF NEW MEXICO,
By H. J Hagerman, Chairman.

APPENDIX VIII.

CONTROL OF BOND ISSUES.

(Extract from Indiana Law.)

Bond Issues—How Authorized—Referendum.

201. Hereafter no municipal corporation shall issue any bond or other evidence of indebtedness without the approval of the state board of tax commissioners. Any such corporation, desiring to issue any such bond or other evidence of indebtedness, shall file its petition therefor in the office of the state board of tax commissioners, setting forth the facts showing the necessity for such issues. The petitioner shall give notice of the filing of such petition and hearing thereon, to the taxpayers of the taxing district to be affected by such issue, by publication for two weeks prior to such hearing in two leading newspapers of opposite political parties, published in such district, or in one such paper if only one be there published, or in case no newspaper is there published, then by posting such notice in three public places in such taxing district. On the hearing of such petition, if it appear that a necessity exists for the relief prayed for, the state board of tax commissioners shall approve the issuance of such bonds or other evidence of indebtedness either as prayed for, or with such modifications or upon such conditions as may be deemed just and proper. If, on such hearing, it shall appear that such relief ought not to be granted, the state board of tax commissioners shall so declare, and such bonds or other evidences of indebtedness shall not be issued. All bonds or other evidences of indebtedness issued under any order of such board shall be ineontestable, except for fraud, forgery or for excess of the constitutional limitation; Provided, however, That in case any petition for the issue of such bonds in an amount not less than fifty thousand dollars has been denied by the state board of tax commissioners, the tax levying officer or officers in the unit affected by such denial may, within ten days from the date of such denial, file in the office of said state board of tax commissioners a petition for the submission of the question whether such bonds shall be issued to the legal voters of the taxing unit to be affected thereby. If such boards be satisfied that said last named petition is in due form, it shall grant the prayer thereof within ten days from the filing of such petition and order such election at a time to be fixed in such order. The county auditor shall give the notice for such election, and all proceedings on the holding of such election shall be governed by the law regulating general elections in such municipality. The county

auditor shall certify the result of such election to the state board of tax commissioners, and if such result be in favor of the issuance of such bonds said state board of tax commissioners within ten days after the filing of such certificate of result shall enter an order approving such issue. All costs and expenses for the holding of such election shall be paid by the taxing unit interested in the issuance of such bonds.

APPENDIX IX.

SUMMARY OF THE FINAL REPORT OF CHARLES R. BRICE, STATE DISBURSING AGENT OF NEW MEXICO STATE COUNCIL OF DEFENSE.

The State Council of Defense was organized May 10, 1917, under the Public Defense Act passed by the State Legislature, May 8th of that year. This act authorized the issuing of certificates of indebtedness to the extent of \$750,000 or so much thereof as might be necessary to meet the unusual demands upon the state by reason of the World War. The accounting was carried on under the following general heads:

- Appropriation.
- Certificates of Indebtedness.
- Expenses of Administration.
- Legislative Appropriation.
- Agricultural Operations Co-Operative.
- Seed and Agricultural Supplies.
- Military Account, and
- State Treasurer War—Fund.

REPORT OF THE NEW MEXICO

GENERAL STATEMENT

	Receipts	Expenditures
Cash—War Certificates sold	\$370,090.00	
Administrative Department		
Refunds and equipment sold	350.62	
Agricultural Operations		
Refunds and produce sold	\$ 349.63	
From sale of furs	9,340.78	
From sale of poisons, etc.	20,099.05	
Payments Farmers' seed notes	44,335.70	
Interest Farmers' seed notes	2,429.26	
Seed sold for cash	33,691.92	\$110,246.35
Military Department		
National Guard—Refund and sale of cantonment buildings, Albuquerque Camp	535.85	
Mounted Police		
Contributions, refunds, equipment sold	17,941.91	
Expenses of Administration		
Legislative appropriations		\$ 50,441.55 9,800.00
Agricultural Operations—Co-operative		
College of Agriculture		\$23,548.71
Penitentiary		19,989.53
Rodent Extermination		59,652.74
Predatory Animal Extermination		44,017.55
Agricultural Operations		\$147,208.53
Seed and Agricultural supplies		131,208.40

Military Operations	
National Guard	37,851.19
Mounted Police	34,210.66
Military Hospital	3,244.11
Agricultural College	59,130.78
Soldier Entertainment	5,000.00
University of New Mexico	12,000.00
Military Institute	12,952.70
	<hr/>
Balance Cash—State Treasurer	9,844.81
	<hr/>
TOTAL	\$503,892.73
	<hr/>
	\$503,892.73

All disbursements were made by vouchers, issued by the State Council of Defense, to which itemized and verified accounts, audited by the General Secretary, and approved by the Disbursing Agent or the Chairman of Council's Executive Committee, were presented to the State Auditor who drew State Warrants on the State Treasurer, payable to each creditor.

The expenses of Administration account represent a net expense of administration and is subdivided under the following sub-heads:

Members of the Council

Per diem and expenses	\$ 2,656.80
Office of General Secretary	

Salaries	\$16,549.53
Travel, postage, stationery, supplies, etc....	9,722.08

\$ 26,271.61

Woman's Committee

Salaries, travel, postage, supplies, telephone, etc.,	820.76
Child's Welfare Activities	1,273.44

\$ 2,094.20

Publicity Department and War News

Salaries and personal services	3,170.00
Printing and stationery	1,599.48
Miscellaneous expenses	800.90

\$ 5,570.38

Speakers Bureau .

Salaries and personal services	200.00
Travels and personal expenses	790.25
Postage, telegraph, supplies, etc.	74.81

\$ 1,065.06

Health and Medical Department

Salaries, including travel and personal exp.	784.16
Medicine, postage, stationery, etc.	905.69

\$ 1,689.85

Educational Department

Food problem books distributed to public schools	2,148.36
Printing and stationery	16.25

\$ 2,164.62

Red Cross

Knitting machines, etc.	395.67
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Liberty Loan

Telegrams, First Drive	59.65
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State Federal Food Administration

Salaries, clerk hire, postage, supplies, etc.	644.63
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Historical Service Board

Salaries and personal expenses.....	4,432.81
Equipment, stationery, supplies, etc.....	3,045.65
	<hr/>
Total Administrative	\$50,090.93

Legislative Appropriations

Withdrawn by Governor Lindsey.....	\$ 3,500.00
Withdrawn by Governor Larrazolo	5,000.00
Medals for Generals Pershing, Wood and	
Barnett and Admiral Benson.....	1,000.00
Presentation expenses	300.00
	<hr/>
	9,800.00

Agricultural Operations—Co-operative

Agricultural College—salaries	13,534.37
Travel and personal expenses	7,516.99
Supplies, printing, stationery, etc.	2,479.35
	<hr/>
	23,548.71

New Mexico Penitentiary

Seed, implements, machinery, supplies and	
miscellaneous expenses	19,639.90
U. S. Biological Survey	
Rodent extermination	59,652.74
Less sales of poison and materials.....	20,099.05
	<hr/>
	39,550.69

Predatory animal extermination	44,017.55
Less sales of furs	9,340.78
	<hr/>
	34,676.77

Total	117,419.07
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Seed and Agricultural Supplies

Total expended for seed and supplies.....	131,208.40
Notes and mortgages were taken on account	
of credit sales—Loans to Farmers.	
Less repayment from credit sales.....	
Loans to farmers, including interest.....	46,764.96
From cash sales	33,691.93
	<hr/>
	89,456.89

To Balance	50,751.51
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To offset this amount the outstanding loans	
to farmers	45,622.35
Accounts receivable	7,612.30
	<hr/>
	53,234.65

Total	53,234.65
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The report states: "All seed and agricultural supplies were purchased directly by the Council of Defense or its Financial Agents.

"Where seed and agricultural supplies were sold on credit the County Financial Agents, who had charge of seed distribution took notes and mortgages covering the cost of the seed and supplies furnished to the farmers.

"No money was advanced or loaned to any person in any instance for any purpose whatsoever.

"The following schedule gives the total of such credit sales in each county; indicating the face value of all notes, the amount of principal and interest paid, the balance due and the percentage of payments."

Schedule of Loans to Farmers

Credit Sales.

County	Credit Sale Notes Prin.	Amt. Prin. Paid	Interest Paid	Balance Due	%
Bernalillo ..	\$ 5,928.68	\$ 3,992.47	\$ 222.87	\$ 1,951.06	67
Colfax ..	1,139.09	905.74	61.28	233.35	80
Curry ..	6,267.64	3,234.48	280.37	3,033.16	52
De Baca ..	110.00	110.00	4.14		100
Dona Ana ..	6,621.80	3,822.63	142.15	2,799.17	58
Eddy ..	2,629.98	459.00	34.06	2,170.98	17
Guadalupe ..	722.71	569.41	23.94	153.30	65
Lincoln ..	1,735.97	786.36	24.87	949.61	45
Luna ..	4,039.05	2,474.03	94.93	1,565.02	61
McKinley ..	3,467.42	2,188.77	107.40	1,278.65	63
Mora ..	7,471.77	3,395.93	188.69	4,075.84	44
Otero ..	1,510.77	1,336.09	36.79	174.68	88
Quay ..	11,664.95	2,987.51	450.80	8,677.44	26
Rio Arriba ..	101.32	101.32	2.11		100
Roosevelt ..	1,662.16	722.59	25.40	939.57	43
Sandoval ..	2,438.31	1,773.22	49.63	665.09	73
San Miguel ..	7,375.89	3,527.77	127.24	3,848.12	48
Santa Fe ..	11,138.09	4,037.33	195.85	7,100.76	36
Sierra ..	88.00	88.00	2.45		100
Socorro ..	246.43	91.63	3.27	154.80	37
Taos ..	783.30	668.84	26.80	114.46	85
Torrance ..	3,186.08	1,999.09	76.96	1,186.99	63
Union ..	8,603.72	4,539.29	183.67	4,064.43	53
Valencia ..	1,024.92	524.20	63.60	500.72	51
Totals ..	\$89,958.05	\$44,335.70	\$2,429.26	\$45,622.35	

Military Operations	\$132,093.68
National Guard — Adjutant General's office, including cantonment at Albuquerque.....	\$32,497.54
Mounted Police	16,268.75
Military Hospital—Albuquerque	3,244.11
Returned Soldier Entertainment.....	5,000.00
Agricultural College	50,130.78
Military Institute	12,952.70
University of New Mexico	12,000.00
	<hr/>
	132,093.68

Recapitulation.

Cash from sale of War Certificates.....	\$370,000.00
Net expenses of Administration.....	\$ 50,090.93
Net Legislative Appropriations.....	9,800.00
Net Agri. Operations—Co-operative.....	117,419.07
Balance Seed and Agri. Supplies.....	50,751.51
Net Military Operations	132,093.68
	<hr/>
Total net expenditures	360,155.19
	<hr/>
Balance cash on hand—State Treasurer.....	\$ 9,844.81

The report states: "The books of the Council were audited and the figures in this report were verified by the State Traveling Auditor."

The principal expenditures of moneys during the existence of the Council are as follows:

Total expended in salaries from every department of operations	\$125,825.79
Total traveling and personal expenses.....	30,800.08
Postage, telegraph and telephone.....	2,775.95
Printing, stationery and supplies	13,020.56
Seed, agricultural supplies and equipment.....	131,262.28
Agricultural extension (not salaries & traveling)	17,922.33
Rodent and Predatory Animal Extermination (less salaries and travel)	25,292.36
Military Operations	57,892.60
Mobilization Camp, Barracks, etc.	51,620.73
Withdrawals by Governors Lindsey and Larrazolo	8,500.00
Returned Soldiers Entertainment	5,000.00
Medals and cost of presentation	1,300.00
State Rodent Extermination Fund	5,000.00
State Predatory Animal Fund	3,000.00

Child Welfare Activities	1,273.44
Medicine	541.49
Food Problem Books distributed	2,148.36
Miscellaneous	5,871.89

The University of New Mexico bought the cantonment building at Albuquerque on a bid of \$3,500, giving a note in payment. This note was afterwards returned to the University in lieu of that much cash in the allowance of \$12,000 to the institution to offset the expenses of the Student Army Training Corps.

Farm tractors, tools, road implements and machinery invoiced at \$5,685.20 were turned over to the State Penitentiary.

APPENDIX X.

REPORT AGRICULTURAL COLLEGE.

Santa Fe, N. M.,
October 1, 1920.

Hon. H. J. Hagerman, President
Taxpayers' Association of New Mexico,
Roswell, New Mexieo.

Sir:

Herein is a brief summary of the audit of the State College, made jointly by the State Traveling Auditor and myself. The work was begun July 7th, 1920 and continued for five weeks.

The State College differs from all other institutions of the state for the reason that it is tied up with the Federal government in many of its activities, and is, to a large extent, supported by the Federal government. Another point of difference is that its activities and objects are three-fold, composed of three divisions, each having a separate and distinct purpose and working along independent lines. These divisions are classed as follows: The College proper; Experimental work in research in agriculture, horticulture, live stock and lines of work allied with these; and the Extension Work which has to do with extension in Agriculture and Home Economics in the state and away from the college.

Each of these departments deals with numerous funds, derived from various sourees. Many of the teachers and many bills of expense against the institutions are paid from several funds and for more than one department. The accounting work is more or less complicated and greatly increased on this account, as bills being paid out of many funds are generally paid in their proportionate relation to each other.

An analysis of these various funds will aid in giving a clearer idea of the complex nature of the institution and of the work involved in the aecounting department.

The MORRILL fund is a federal fund carrying an annual appropriation of \$50,000 and can be used for specific purposes only. No part of this fund can be used for teaching language, history or administration expense, buildings or clerk hire.

The HATCH fund is a federal fund with an annual appropriation of \$15,000 and is designated for "Research in Agriculture."

The ADAMS fund is also a federal fund with an annual appropriation of \$15,000 and can be used only for restricted lines of research in Agriculture.

The Hatch and Adams funds must be used entirely for work at the college, but for the farmers of the state.

The State Station fund is a State appropriation of \$7,500 per annum to be used for agricultural research work either at the college or in the state at large.

The HATCH SUPPLEMENTARY fund is an indefinite sum derived from the sale of live stock and materials resulting from money expended for experimental purposes. By a government ruling the proceeds of this fund must be put back into experimental work.

This fund may accumulate from year to year and now aggregates about \$11,000, but seldom exceeds \$6,000 accumulation in any one year.

The STATE fund is a general maintenance fund with a direct annual appropriation of \$33,000 for each of the sixth and seventh fiscal years and 37,500 for the eighth and ninth fiseal years. This fund is used for teaching and college maintenance, administration, insurance, coal, power, light, janitor service, advertising, water, irrigation, repair to buildings, general upkeep of grounds, teaching language and history, athletics, library, etc. In fact it seems that this is a general utility fund used for almost every purpose pertaining to the college work.

The large scope covered by this fund would seem to indicate that the appropriation is exceedingly small. Perhaps it suggests the need of more specifically defining and confining its use. However, the fund is augmented by the transfer of fees from other sourees; the Income fund, Interest on Deposits, Student Fees and possibly other funds.

The STATE EXTENSION fund is a state appropriation to aid in the county extension work. It equals the county extension fund, dollar for dollar up to \$2,000 for each county. It cannot exceed \$43,200 and can be that large only in case the counties approximate that much. For the calendar year 1920 it is \$35,430.

The FEDERAL-SMITH-LEVER fund is provided by the Federal government in accordance with the Smith-Lever Act. It is to be used in extension work in agriculture and home economics. It goes to support extension activities in the various counties and also to maintain the overhead organization in the State College. For the current fiscal year, July 1, 1920, to June 30, 1921, is \$27,634.90.

The STATE SMITH-LEVER fund is a state appropriation, offsetting the Federal appropriation, less \$10,000.

The FEDERAL SMITH-LEVER SUPPLEMENTARY fund as the name implies, is a fund appropriated by Congress

to supplement the work contemplated in the Smith-Lever Act. The provision is made that this must be used entirely for the support of county agents. This amounts to \$8,533.02 during the current fiscal year.

The STATE SMITH-LEVER SUPPLEMENTARY fund is the state offset to the fund above, inasmuch as the Federal Smith-Lever Supplementary fund requires a state offset. No direct appropriation has ever been made by the State Legislature to offset this Federal Smith-Lever Supplementary fund; however, we show county appropriations for county agent work as the offset, which complies with the Federal requirement. The amount is the same as the Federal Smith-Lever Supplementary.

The EXTENSION SUPPLEMENTARY fund is similar to the Hatch Supplementary fund above, except that it applies entirely to extension activities and may be carried over from year to year. At present it approximates about \$1,000.

The WAR EMERGENCY fund was created by the State Council of Defense after the United States became involved in the World War and an appropriation of \$23,548.71 was made to the college and used very largely to pay the salaries and traveling expenses of a number of persons designated to go over the state and incite the people at large to greater efforts in increased acreage and larger yields of agricultural products to meet the extra demands caused by the war.

In addition to the above amount the State Council of Defense appropriated further sums, aggregating \$56,737.96, which were covered directly into the state general fund and it was impossible to trace the specific purposes for which it was used, it is quite likely that a large portion of it was spent in the erection of barracks, automobile shops and the training of soldiers.

The INCOME fund is derived from the income on investments from the permanent funds of the institution. It has been the custom to transfer the entire amount of this fund into the state general fund.

The moneys coming from students in matriculation fees, board, room, etc., is apportioned into the appropriate funds to which they properly and naturally belong.

It is easily seen that the income of the college is derived from many sources, for many specific purposes, each to be accounted for in the proper branch of the institution, and for the specific purpose for which it was appropriated or derived.

The classification of the expenses, as shown in this report, is perhaps, as fair as could well be made in an institution with its activities so widely diversified and covering such a comprehensive field. There is almost no limit to the classification

that could be made, and no two persons would probably agree on the same classification.

There are two classes of expense in the report which should have been given more in detail. "Labor" and "Upkeep". In the labor expenses it was impossible to divide as the examiners wanted to divide it for the reason that the vouchers, while showing the name of the persons to whom payment was due, and giving the exact number of hours of labor performed failed to state the place where it was performed or the specific thing done. This labor item involves a large expense and it is regretted that it could not have been divided as to the amount on buildings, grounds, etc., the upkeep expense could have been divided more closely had it been known from the beginning of the audit that the amount was so large. The average expenditure in each of these funds was about \$18,000 per year and seems excessive. This is especially true in the labor item, when in addition to this separate item of labor there are additional labor expenses of large sums. The labor charged direct to dormitory amounts to more than \$17,000, an average of about \$475.00 per month for each school month covered by this audit. This would indicate a very heavy expsense for waiting tables and helping in the kitchen work. To upkeep has been charged more than \$31,000 for labor, an exceedingly heavy item averaging more than \$600 per month. Labor has also been charged direct to Library, Sales Room, Military and Athletics, so that when all labor items shown in the report are thrown together it amounts to more than \$120,000 or an average of more than \$2,500 per month. This is a small school. The largest attendance in its history was during the year 1919-1920 when its enrollment reached five hundred students. It is true that much of this labor was used in the erection of barracks, and perhaps on other college buildings.

There may be another side to this labor expense item. Almost the entire amount paid for labor was paid direct to the students, many of whom would not probably have been able to attend the college were it not for the fact that they had an opportunity to help make their way by earning something to meet their expenses while in the school.

Unofficial Audits.

It appears that since the date of the audit made by the traveling auditor in 1916, there have been two unofficial audits. These have been of little practical value to the college as they seemed to be nothing more than a checking up of the cash account and a failure to analyze the expenses of the institution. More than \$1400 was paid for these audits with other unpaid claims for this purpose. Under the state law it is made

the duty of the State Traveling Auditor to make these audits without charge to the college. It would appear that there is little justification for having it done by private persons at heavy expense. It is most important that such an institution should be audited at least once a year and a very close check made of the disposition of the state funds as is done by the Federal government with reference to the moneys contributed by it to the use of the school.

New Buildings and Improvements.

The matter of improving the college grounds, the erection of buildings, the construction of sewer and irrigation systems, and the building up of better breeds of live stock was presented to the board of regents very early in the administration of Dr. Crile. Reference to the minutes of the board disclose the fact that these improvements were discussed quite fully by the board on several occasions. The first of these improvements was arranged for on September 17, 1917, when the contract for the sewer system was awarded to the Las Cruces Lumber Company at a cost of \$9,810.38.

The minutes of the board under date of December 21, 1917, read in part as follows:

"Minutes of the Board of Regents, December 21, 1917.

"President Hill was in the chair, Regents Crampton, Monical, Quesenberry and President Crile also being present. President Crile explained the situation regarding funds, stating that between now and June 30, 1918, to say nothing of additional rental funds, there will be \$82,944 to work with, he stated it would be safe to count on \$90,000, including rental and Hatch Supplementary funds. The certificate of deposit funds amounting to \$1,000 were returned some time ago to the State of New Mexico, according to the requirements of law."

"President Crile stated that the total moneys received from the Bonding Company covering the loss in the Las Cruces Bank failure, amounting to seventy-nine thousand and six hundred and some odd dollars; of which amount \$21,000 should become a part of the permanent fund leaving about \$59,000 available for the purposes of the school."

"On motion, duty seconded, the following recommendations made by President Crile were adopted:

1. The building of the barns and corrals
for the live stock, approximate cost.....\$12,000
2. The putting in of a pumping plant and
distributing system for water on the
grounds, total cost 15,000

3. Repairing of the engineering building, and building of a brick one-story addition for shop work	2,500
4. Putting steam heat into the boys' dormitory ..	2,000
5. Building of a hospital	3,000
6. Building of a President's house.....	8,000
7. That the President's house be designed the proper specifications submitted, and the contract let to the lowest responsible bidder; that all other work be done by force account or contract under the di- rection of the executive committee."	

When we look at the figures actually expended we find that the barns cost more than \$25,000; repairs and additions to the engineering buildings more than \$14,000; President's residence more than \$14,000; the hospital more than \$5,000 and the amount expended for live stock amounted to something more than \$23,000.

Considering the fact that none of the Federal funds were available for either new buildings or improvements on the grounds, with an appropriation of but \$12,500 for buildings and an allowance of \$37,500 for maintenance, to be increased with the income fund and the small amount of interest on bank deposits, it is unnecessary to say that an additional burden of such a comprehensive constructive program must necessarily rob the institution of its maintenance fund or plunge it into hopeless debt. It now appears that both have been accomplished. This is proven by the fact that the state general fund is overdrawn for more than \$96,000.00.

The need of some of these buildings and improvements may well be admitted. Every person familiar with conditions at the college prior to the improvements made during the past two years will agree that there has been a marvelous change in the general appearance of the plant and a decided improvement in its working conditions. It may also be said in all fairness that in making these improvements at a time when the cost of labor and materials are abnormally high, value has been received for the money expended. The cause of this large deficit is due directly to the large amounts expended for buildings, improvements and live stock. The one question immediately suggesting itself is—has the board of regents and the president of the college the legal, or even moral right, to divert the regular maintenance fund to other purposes. They are the trusted agents of the state. If the state, through its legislature, fails to make provision for the erection of buildings and

the improvements of the real estate, badly needed as they may be, has the board the right to divert the maintenance fund into other channels than those for which they were specifically intended? The legislature of 1913 appropriated the sum of \$33,000 for maintenance for each of the sixth and seventh fiscal years. The 1919 legislature increased this amount to \$37,500 for the eighth and ninth fiscal years. Other appropriations were made for other specific purposes. In addition to the appropriation of \$37,500 for maintenance the 1919 legislature appropriated the sum of \$12,500 for buildings for the eighth fiscal year **only**.

The New Mexico Statutes, Codification of 1915, Chapter CI, Paragraphs 5158, 5160, 5161 and 5167 read as follows:

5158. Expenditures—Indebtedness in Excess of Appropriation.

Section 141. Every officer, board, body or agency, or any member thereof, empowered to expend any public money or to direct in the expenditure thereof, or to contract indebtedness against or in view of specific appropriations, is hereby prohibited from making any contract incurring any expense, or contracting any liability against this state or any public fund thereof, which shall make tend to make, or contemplate any excess of expenditure beyond the terms of the laws authorizing expenditures by them, or either of them, or under their direction; and it shall be unlawful for any trustee, superintendent, warden, or other officer of any of the educational, penal, charitable or other institutions of this state, who, under the laws, has authority, or may be vested with authority to purchase supplies, employ servants or assistants, contract indebtedness, or to do any act contemplating the expenditures of public moneys, to contract any indebtedness in behalf of such institutions or ostensibly against the state on account of such institutions in excess of the appropriation made for the maintenance and support thereof; but in respect to the Penitentiary, the Asylum of the Insane, the Reform School, the Institute for the Blind, the Miners' Hospital and the Deaf and Dumb Asylum, if the specific appropriations thereof shall have become exhausted, food and clothing for the inmates thereof may be purchased on the credit of the state.

5160. Exceeding Appropriations—Penalty.

Section 143. Any person violating any of the provisions of the two preceding sections shall be deemed guilty

of a felony, and, upon conviction thereof, shall be punished by a fine not exceeding \$500, nor less than \$100, or by imprisonment in the penitentiary for not less than six months nor more than one year, or by both such fine and imprisonment in the discretion of the court trying such cause.

5161. Grand Jury—Duty.

Section 144. It is hereby made the duty of the several district judges to call the attention of grand jurors to the provisions of the three preceding sections.

5167. Disbursement of Funds.

Section 150. The secretary and treasurer of all such boards shall make disbursements of the funds in his hands on the order of the board, which order shall be countersigned by the president of the board and shall state on what account the disbursement is made.

The following is a detailed statement of expenditures for new buildings, repairs on buildings and improvements on real estate.

New Buildings.

Poultry houses, yards, etc.....	\$ 3,078.90
Four Barns	25,210.43
President's Residence	
Building	\$13,574.29
Draperies & curtains	567.43— 14,150.72
Machinery Building and Shop	
Building	\$14,180.14
Machinery	3,228.16— 17,408.30
Addition to boys dormitory	
heating included	15,881.84
Barracks	16,025.11
Hospital, including grounds and	
other buildings	5,330.04
Drying House, etc.	468.83
Public School House	1,654.85
Recitation Hall	2,283.28
Music Hall	184.16
 Total cost of new buildings	 \$101,872.42

Repairs on Buildings:

Hadley Hall	\$1,559.24
Girls' and Boys' Dormitory.....	4,854.68

Science Hall	89.15
Plumbing and heating, not located	303.46
Electric apparatus	50.88
Bradley House	84.24
Seed House	18.39
Green House, Hot Houses, etc.....	561.60
Cook House	85.35
Plumbing in Laundry	54.40
Hog Houses	6.48
Lumber for general repairs	309.18
Push Button system	103.27
Awnings	78.95

Total repairs to buildings \$ 8,159.27

Improvements to Grounds:

Fences	\$ 4,972.98
Sewer system	12,387.98
College Well and Pump	3,039.62
Irrigation system	8,848.51
Trees and Shrubs	668.96
Double Beam Scale	51.00
Gas Storage Tank	100.00
Road Repairs	42.75
Drinking Fountain	50.00
Dipping Vats	750.00
Target Range	103.69
Smoke House	10.00
General Miscellaneous	51.48
Iron Railings	48.75
Campus Ornaments	143.45
Lamp Pedestals	63.10
Drainage	70.05
Blasting Earth	37.50
Lumber	25.03
Miscellaneous Extension Div.	29.35
Eleven Pieces of Pipe	27.50
Race Track	61.70
Tennis Court	974.57
Feed and Water Troughs	75.54
Piping Water	24.25
Sheep Hurdles	21.40

Total Improvements to grounds \$ 32,678.67

New Buildings	\$101,872.42
Repairs	8,159.27
Improvements to Grounds	32,678.67
Grand Total	\$142,710.36
Deducting from this amount all of the items for repairs, and all of the improvements on the grounds except the sewer system and irrigation system, aggregating in all.....	30,000.00
would leave the net amount for buildings and improvements	\$112,710.36
Add to this amount the sum of money spent for live stock	23,000.00
and you will have the net amount involved in the program for improvement, this amount aggregates	\$135,710.36

A pretty large program with only one tenth of that amount provided for by the legislature.

From an examination of the vouchers it appears that there is no decided system of approving them. The bills are sent in by the head of the department from which they originate, are vouchered and signed by the president of the college and the treasurer of the board of regents.

In an institution covering such a wide field, and managed under several distinct departments, the utmost care should be given to every item of expense to see that the bill is rendered for the right amount of goods furnished or labor performed, and in the proper sums.

The following table shows the source of receipts and the classified purposes for which disbursements have been made:

Receipts:

Balance on hand to the credit of the college June 1, 1916	\$ 80,420.43
Federal appropriations	\$467,652.31
State Auditor Warrants	325,961.80
Interest on Deposits	2,041.12
Borrowed Money	143,743.39
Income State Lands	96,800.08
Registrar, Dormitory, etc.	184,083.63
State Council of Defense	81,768.04
County and State Extension.....	133,414.65

Insurance receipts and transfers.....	6,832.20
Transfers from college funds.....	240,935.78

Total to be accounted for \$1,763,653.42

Disbursements:

Automobile	\$ 9,528.21
Dormitory	86,572.86
Salaries	515,059.40
Labor	71,724.45
Printing	28,332.79
Postage	3,840.12
Telegraph and Telephone	7,202.05
Office Supplies	26,399.08
Freight and Express	12,860.11
Fuel, Light and Water	15,864.49
Feed Stuffs	59,488.50
Seeds and Plants	3,874.31
Furniture and Fixtures	8,689.32
Drugs and Medical	3,686.46
Library	6,628.70
Tools and Machinery	10,554.52
Scientific Apparatus	24,051.76
Live Stock	24,196.54
Travel, County Extension	98,586.76
Travel, othern than above	59,255.46
Upkeep	74,093.80
New Buildings	101,872.42
Real Estate Improvements	40,837.94
Sales	25,669.25
Military	8,291.07
Athletics, Music, etc.	8,066.01
Insurance	7,741.24
Funeral Expense	106.50
Interest on borrowed money	3,071.38
Bonds of employees	790.90
Audit of books	1,412.45
Rent to Y. M. C. A.	200.00
Advanced to Cashier	12,000.00
Loans repaid	163,355.59
Miscellaneous	35.03
Wetlaufer Shortage	1,778.38
Llewellyn Shortage	67,740.37
Transferred to College funds	240,935.78

Total Payments \$1,834,304.90

Overdraft or Deficit, June 30, 1920 \$ 70,651.48

"Note: The Wetlaufer shortage was a real one, and after repeated efforts and consequent failure to collect the amount was charged off, thus being a direct loss to the college."

"Note: The Llewellyn shortage appearing above as a payment, is accounted for by the fact that the book balance of \$80,420.43 existing June 1, 1916, included this amount as being on hand when, of course, as a matter of fact it was tied up in the failure of the Union State Bank of Las Cruces. The college accounting authorities, feeling, doubtless, that their books should not carry this as an amount on hand, deducted it from such cash balance and to do so it necessarily had to appear as a payment. This audit pursued the same course for purposes of uniformity, although the matter could have been more easily handled by other methods."

From the foregoing statements it will be observed that the net overdraft is \$70,651.48. The only fund actually overdrawn was the State fund, deducting the balance in the other funds from that overdraft, gives the net overdraft as shown.

The audit covers a period of forty nine months from June 1, 1916, to include June 30, 1920. The records of the Board of Regents show that there were two Boards of Regent during the period covered; on June 1, 1916, the board consisted of Messrs. R. R. Larkin, J. A. Mahoney, C. W. Garber and P. F. McCanna, who served until March 9, 1917. Dr. Ladd was President of the College during that period. The new board appointed by Governor W. E. Lindsey, March 10, 1917, was composed of Messrs. James S. Quesenberry, Charles L. Hill, E. C. Crampton, R. E. Putney and M. Y. Monical. This board did not qualify until March 19th. Dr. Ladd was relieved of his duties as president April 10, 1917, and Dr. A. D. Crile was elected to succeed him. Dr. Crile continued as president until March 22, 1920. Mr. R. E. Putney retired from the board July 9, 1917. Mr. Monical remained until March 14, 1919, while Messrs. Quesenberry, Hill and Crampton remained until the close of the period of audit, June 30, 1920.

In order to locate the period in which the deficit occurred the following table showing the financial condition of the institution for the periods June 1, 1916, March 31, 1917 and June 30, 1919 clearly locates the period in which the overdraft and deficit occurred.

Balance on hand June 1, 1916	\$ 80,420.43
Collections to March 31, 1917	250,853.82

Total	331,274.25
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Disbursements to March 31, 1917	268,518.21
Balance on hand March 31, 1917.....	62,756.04
Total deductions in cash during the period June 1, 1916-March 31, 1917.....	17,664.39
Balance on hand April 1, 1917.....	62,756.04
Collections to June 30, 1920.....	1,432,379.17
Total	1,495,135.21
Disbursements during the period April 1, 1917-June 30, 1920.....	1,565,786.69
Deficit to balance	70,651.48

The only account actually effected by the deficit is the State Fund. The status of the State Fund on the three dates referred to above is as follows:

June 1, 1916, this fund was overdrawn.....	1,925.01
Receipts to March 31, 1917.....	53,678.47
Total	51,753.46
Disbursements	52,409.20
Deficit March 31, 1917	655.74
Net reduction of Deficit	1,269.27
Deficit April 1, 1917	653.74
Receipts to June 30, 1920.....	599,743.48
Total	599,089.74
Disbursements	695,574.88
Deficit June 30, 1920	96,485.14
Net increase in deficit	\$ 95,831.40

The following table shows the condition of each fund at the beginning of the period audited, the amount received in each fund during the period covered by the audit, the payments made from each fund and the balances at the close of the period June 30, 1920:

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Fndd	Bal. June 1, 1915	Receipts Transfers	Payments Transfers	Bal. June 30, 1920
Llewellyn	\$74,732.01		\$ 74,732.01	
Wetlaufer	1,682.49		1,682.49	
Animal Husb.	95.89		95.89	
Registrar Acct.	2,603.95	2,441.77	5,045.74	
Loans Due	19,612.20	13,743.39	33,355.59	
Hatch Suppl.	2,004.17	33,086.54	23,518.26	\$11,573.45
Treas. Shortage		40,212.56	40,212.56	
Federal S-L	3,654.20*	97,790.68	94,136.48	
Morrill	28,718.83*	234,810.70	206,091.87	
Hatch	797.09*	64,342.78	63,545.69	
Adams	1,201.97*	63,618.90		
State S-L	69.96	43,371.51	43,441.47	
Income	11,821.35	110,795.83	122,617.18	
State Station	2,006.13	37,368.87	26,939.80	2,435.29
Permanent	1,401.98		1,401.98	
College Extn.	298.24*	450.18	151.94	
State	1,923.01*	653,421.95	747,984.08	96,485.14*
County Exten.	1,079.53	165,812.76	156,199.66	10,692.63
War Emergency		25,030.08	25,030.08	
S-L Suppl.		3,199.16	3,199.16	
State Exten.		74,592.66	74,592.66	
Smith Hughes		10,361.92	10,361.92	
Extn. Suppl.		1,618.83	485.45	1,133.38
Fed. S-L Suppl.		8,533.02	8,533.02	
State S-L Suppl.		8,533.02	8,533.02	
Total	\$80,420.43	\$1,683,232.99	\$1,834,304.90	\$70,651.48

*—Indicates overdraft.

Balances in Funds June 30, 1920, as Follows:

Hatch Supplemental	\$11,572.45
State Station	2,435.20
County Extension	10,692.63
Extension Supplemental	1,133.38
State Fund, Overdrawn	\$96,485.14
Net Overdraft June 30th	\$70,651.48

The complete report contains many tables showing receipts and disbursements for each fund; receipts and disbursements by months; reconciliation statements between the treasurer and the banks; lists of outstanding unpaid checks; list of members of the faculty and salary of each; scrip book refunds,

etc., but I have not deemed it necessary or desirable to include them in this summary.

Respectfully submitted,

H. F. STEPHENS, Auditor.

APPENDIX XI.

TEACHERS' SALARIES, 1919-1920.

According to compilations made from the Educational Directory, issued by the State Department of Education for the school year 1919-1920, there are 2605 teachers in New Mexico including superintendents and principals. These teachers are distributed among the various counties with average annual salaries for each county as follows:

Counties	Number Teachers	Average Salaries
Bernalillo	162.....	\$1,136.42
Chaves	118.....	974.23
Colfax	149.....	1,004.59
Curry	103.....	935.24
DeBaca	39.....	912.29
Dona Ana	112.....	940.92
Eddy	84.....	932.20
Grant	154.....	1,024.21
Guadalupe	84.....	690.30
Lea	56.....	793.32
Lincoln	79.....	880.85
Luna	57.....	1,010.53
McKinley	33.....	1,250.12
Mora	91.....	593.68
Otero	79.....	897.00
Quay	120.....	901.66
Rio Arriba	114.....	582.00
Roosevelt	98.....	711.92
Sandoval	36.....	661.22
San Juan	48.....	794.54
San Miguel	154.....	690.55
Santa Fe	96.....	727.24
Sierra	31.....	664.52
Socorro	113.....	723.92
Taos	92.....	611.44
Torrance	78.....	759.00
Union	164.....	656.04
Valencia	61.....	788.24
State	2605.....	\$839.89

Four superintendents receive salaries of \$3,000 or over; ten receive from \$2500 to \$3000; nineteen from \$2000 to \$2500; thirteen from \$1750 to \$2000; forty-five teachers and principals receive from \$1500 to \$1750; 133 receive from \$1250 to

\$1500; 304 from \$1000 to \$1250; 490 from \$900 to \$1000; 419 from \$800 to \$900; 428 from \$700 to \$800; 350 from \$600 to \$700; 221 from \$500 to \$600; 125 from \$400 to \$500; 41 from \$350 to \$400 and three receive less than \$350. It will be seen, therefore, that about 20 per cent of teachers, principals and superintendents receive \$1000 or over; about 50 per cent receive \$700 to \$1000 and approximately 30 per cent receive less than \$700. Comparing these figures with 1912-1913 we find that seven years ago, 133 teachers received less than \$200 annually; 605 received less than \$300 each and only 389 received over \$600. In other words in 1912-13 less than 25 per cent of the teachers received over \$600 while for the present year 85 per cent are receiving over \$600.

The average annual salary of teachers for the state is \$839.89 as compared with \$438.01 in 1912-13. In the eight incorporated cities, 325 teachers receive a naverage salary of \$1196.33. This includes superintendents and it is probable that the average for grade teachers will about be \$1000 and for high school teachers about \$1250. In the rural schools the average salaries range from \$400 to \$1000 according to the grade of certificate held by the teacher and also according to the length of the term. Fourteen teachers with special certificates receive \$1244 annually.

The 168 principals and teachers holding professional certificates receive an average of \$1104.96. First grade certificate teachers of whom there are 1414 receive an average of \$862.13. Second grade teachers, numbering 459, receive \$575.17 and the 185 third grade teachers, \$452.51. There are forty teaching permits whose average salaries are \$396.56.

The average number of months of school for the state is 8.47 months. One county, Grant, has an average of over nine months. Bernalillo, Chaves, Colfax, DeBaca, Dona Ana, Eddy, Lincoln, Luna, McKinley, Otero, Quay, San Juan; Santa Fe, Socorro and Valencia have practically nine months of school in the term. Curry, Lea, Roosevelt, Sandoval, San Miguel, Sierra and Torrance average between eight and nine months. Only five counties, Guadalupe, Mora, Rio Arriba, Taos and Union have an average of less than eight months, the lowest being Rio Arriba with $7\frac{1}{4}$ months.

The low salaries prevail in counties having short terms and low grade certificate teachers as is evidenced from what has been shown above and from the following table showing in the first column the teachers holding first grade certificates or better, in the second column those holding second grade certificates and in the third those holding third grade certificates and permits.

Counties	First Grade or better	Second Grade	Third Grade and permits
Bernalillo	149	7	6
Chaves	118	0	0
Colfax	141	6	2
Curry	98	5	0
DeBaca	36	3	0
Dona Aana	95	14	3
Eddy	84	0	0
Grant	153	0	1
Guadalupe	33	24	27
Lea	45	7	4
Lincoln	69	10	0
Luna	55	2	0
McKinley	30	3	0
Mora	32	37	22
Otero	71	8	0
Quay	91	29	0
Rio Arriba	47	34	33
Roosevelt	76	20	2
Sandoval	19	14	3
San Juan	43	3	2
San Miguel	57	47	50
Santa Fe	64	32	0
Sierra	20	5	6
Socorro	72	28	13
Taos	38	44	10
Torrance	56	14	8
Union	94	46	24
Valencia	35	17	9
Total	1921	459	225

That conditions, not only as to salary but also as to qualifications have improved, is shown by the fact that in 1913-14, 46 per cent of the 1803 teachers and principals employed held second and third grade certificates and permits, while for the year 1919-20 only 26 per cent of the teachers hold these low grades of certificates. That there is still considerable room for improvement it evidenced by the fact that of 1865 teachers in the rural schools, 753 taught upon second or third grade certificates or permits; that is about three-sevenths of the rural school teachers and more than one-fourth of all held these very low grade qualifications. Only five per cent of the rural school teachers hold professional certificates.

An examination of 646 sets of answers to questionnaires sent out by the State Superintendent of Public Instruction re-

sults in some interesting figures from which valuable conclusions may be drawn by those thoroughly familiar with conditions.

Of the 646 teachers replying to the questionnaire, 410 have dependents, 214 are married, and 323 live at home; 73 hold professional certificates; 315 first grade; 148 second grade; 61 third grade; 11 permits; and 34 city certificates.

The average salary for 1919-1920 for those reporting was \$818.00 and the average annual living expenses amount to \$605 for the whole state. 381 reported a total of \$234,820 earned in 1917-18, and the same teachers earned a total of \$334,308 in 1919-20; an increase of \$99,488 or 42%. 298 teachers reported total living expenses \$150,851 in 1917-18, and \$198,157 in 1919-20, an increase of \$47,306 or 32%. In this connection attention is called to the fact that the average salary for all teachers in the state in 1912-13 was \$438 and \$840 in 1919-20.

The 646 teachers replying to the questionnaire were distributed by counties as follows: Bernalillo 20, Chaves 22, Colfax 56, Curry 19, DeBaca 12, Dona Anna 34, Eddy 18, Grant 25, Guadalupe 23, Hidalgo 8, Lea 9, Lincoln 23, Luna 15, McKinley 5, Mora 40, Otero 11, Quay 29, Rio Arriba 42, Roosevelt 17, Sandoval 16, San Juan 9, San Miguel 58, Santa Fe 25, Sierra 5, Socorro 18, Taos 31, Torrance 20, Union 18, Valencia 18. The total 646 constitutes practically 25 per cent of the teaching force of the state.

APPENDIX XII.

RAILROAD ASSESSMENT FOR 1920.

ATCHISON, TOPEKA & SANTA FE.

	Mileage	Rate Per Mile	Total Valuation
Main line, Colorado state line to Isleta	262.72	\$48,200	\$12,663,104
Main line, Isleta to Texas line	221.22	35,000	7,742,700
Rocky Mountain main line			
Dillon to Des Moines	44.44	20,350	904,354
Preston to Ute Park	46.85	20,350	953,398
Hebron-Preston branch	4.34	20,350	88,319
Santa Fe branch	18.10	18,350	332,135
Magdalena branch	27.36	17,350	474,696
Lake Valley branch	13.31	8,000	106,480
Rincon-Deming branch	54.31	20,350	1,105,209
Deming-Silver City branch	46.56	20,350	947,496
Whitewater-Santa Rita branch	17.84	20,350	363,044
Hanover Junction-Fierro branch	6.18	20,350	125,763
Blossburg Spur	3.47	10,000	34,700
Preston-Van Houten Spur	3.50	10,000	35,000
Koehler Spur	3.47	10,000	34,700
Hot Springs Spur	6.20	6,000	37,200
Cerillos Spur	4.69	10,000	46,900
Belen Cut-Off, Texas to Belen	248.22	48,200	11,964,204
Pecos Valley branch, north of Carlsbad	184.19	21,225	3,909,433
Pecos Valley branch, south of Carlsbad	33.00	16,000	528,000
Coast lines, Arizona to Dalles	154.29	48,600	7,498,494
Dalies to Belen	10.02	48,200	482,964
Dalies to Isleta	14.72	48,200	709,504
Coast line, second track	53.74	12,000	644,880
Gallup Spur	12.44	10,000	124,400
Raton to Colorado, second track	7.48	10,000	75,800
Albuquerque to Hahn, second track	2.40	10,000	24,800
Fox to Glorieta, second track	4.98	10,000	49,800
Total			\$52,006,677

Terminal Property:

Albuquerque	.....	\$ 1,046,985
Aabajo	162,548
Belen	234,202
Clovis	484,829
Deming	30,718
Lamy	47,583
Las Vegas	185,000

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Raton		309,083
Rincon		14,161
Roswell		14,136
Silver City		1,826
San Marcial		65,711
Vaughn		179,672
Gallup (outside city)		175,065
Gallup (city)		99,509
 Total		\$ 3,050,168
 Grand Total		\$55,056,845

EL PASO & SOUTHWESTERN SYSTEM.

	Mileage	Rate Per Mile	Total Valuation
Main line	415.36	\$45,000	\$18,691,200
Dawson	131.98	28,000	3,695,440
Deming	31.54	18,000	567,720
Capitan	21.30	11,385	242,500
Jarilla	4.72	11,385	53,737
Alamogordo and Sacramento	31.23	11,385	355,554
 Total			\$23,606,151

Terminals:

Tucumcari		\$ 55,000
Carrizozo		44,000
Duran		11,000
 Total		\$ 110,000
Pipe line		\$ 456,070
 Grand Total		\$24,172,221

ARIZONA & NEW MEXICO.

	Mileage	Rate Per Mile	Total Valuation
Main line	66.28	\$21,000	\$ 1,391,880
Lordsburg branch .....	.98	11,385	11,157
"85" Spur	3.67	11,385	41,782
 Total			\$ 1,444,819

CHICAGO, ROCK ISLAND & PACIFIC.

	Mileage	Rate Per Mile	Total Valuation
Main line, Santa Rosa to Tucumcari	59.87	\$42,000	\$ 2,514,540
Tucumcari to state line	51.63	36,345	1,891,981
Amarillo line	41.46	28,000	1,160,880
 Total			\$ 5,567,401

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COLORADO SOUTHERN.

	Mileage	Rate Per Mile	Total Valuation
Colorado line to Texas line	83.86	\$28,000	\$ 2,334,080
Total			\$ 2,334,080

CONTINENTAL TIE & LUMBER CO.

	Mileage	Rate Per Mile	Total Valuation
Branch line	5.00	\$ 2,500	\$ 12,500
Total			\$ 12,500

CIMARRON & NORTHWESTERN.

	Mileage	Rate Per Mile	Total Valuation
Main line	22.00	\$ 6,000	\$ 132,000
Total			\$ 132,000

DENVER & RIO GRANDE.

	Mileage	Rate Per Mile	Total Valuation
Main line	189.60	\$14,000	\$ 2,654,400
Durango to Farmington	28.90	16,000	462,400
La Madera Lumber branch	16.43	3,000	49,200
Rails leased to Halleck-Howard Lumber Co.			15,000
Terminal at Chama			25,000
Total			\$ 3,206,090

M'GAFFY COMPANY.

	Mileage	Rate Per Mile	Total Valuation
Main line	11.40	\$ 3,960	\$ 45,144
Total			\$ 45,144

M'KINLEY LAND & LUMBER COMPANY.

	Mileage	Rate Per Mile	Total Valuation
In McKinley county	10.00	\$ 3,960	\$ 39,600
In Valencia county	44.00	2,500	110,000
Total			\$ 149,600

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NEW MEXICO CENTRAL.

	Mileage	Rate Per Mile	Total Valuation
Main line	115.70	\$ 4,000	\$ 462,800
Total			\$ 462,800

NEW MEXICO MIDLAND.

	Mileage	Rate Per Mile	Total Valuation
Branch line	10.00	\$10,000	\$ 100,000
Total			\$ 190,000

SANTA BARBARA TIE & POLE COMPANY.

	Mileage	Rate Per Mile	Total Valuation
Branch line	11.9	\$ 2,500	\$ 29,750
Total			\$ 29,750

SOUTHERN PACIFIC.

	Mileage	Rate Per Mile	Total Valuation
Main line	167.905	\$58,000	\$ 8,059,440
Terminal, Lordsburg			130,000
Terminal, Deming			58,500
Total			\$ 8,247,940

RIO GRANDE & SOUTHWESTERN.

	Mileage	Rate Per Mile	Total Valuation
Main line	33.00	\$ 3,000	\$ 99,000
Total			\$ 99,000

SANTA FE, RATON & EASTERN.

	Mileage	Rate Per Mile	Total Valuation
Main line	9.40	\$ 7,500	\$ 70,500
Total			\$ 70,500

SANTA FE, RATON & DES MOINES.

	Mileage	Rate Per Mile	Total Valuation
Main line	10.00	\$ 5,000	\$ 50,000
Total			\$ 50,000

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CITY ELECTRIC COMPANY (Albuquerque).

	Mileage	Rate Per Mile	Total Valuation
Main line	7.30	\$ 7,500	\$ 54,750
Total			\$ 54,750

LAS VEGAS TRANSIT COMPANY.

	Mileage	Rate Per Mile	Total Valuation
Main line	3.70	\$ 3,650	\$ 13,505
Total			\$ 13,505

**TRINIDAD ELECTRIC TRANSMISSION RAILWAY
& GAS COMPANY.**

	Mileage	Rate Per Mile	Total Valuation
Main line	42.94	\$ 1,650	\$ 70,851
Total			\$ 70,851

APPENDIX XIII.

RAILROAD TAXES.

The significance of the revenue derived from railroad taxation for state, county and other political subdivisions is evident from figures showing that the valuation of railroad property for taxation amounted to 26.4 per cent of the assessable property of the state in 1918. In some of the counties the proportion of railroad property to the total valuation was shown to be as high as 50 per cent and even higher.

Still more striking are certain compilations made showing comparisons of taxes actually paid by transportation lines in New Mexico with the total taxes charged. The total taxes due for 1918 was \$6,476,200.32 on state, county, municipal and school district levies, not including taxes on special classes of property. On the basis of 88% tax collections as shown by last reports, the amount actually paid was approximately \$5,700,000. Of this amount the Santa Fe railroad paid \$936,907, or very nearly one sixth, while its valuation is over one seventh of the total valuation of the state. On the basis of actual tax paid, this road paid 16 2-3 per cent of the taxes actually collected. Seven railroads paid a total of \$1,492,122, fully 25 per cent of total payments. It is estimated that complete figures will show that transportation lines carry over one fourth of the tax burden of the state.

Selecting one of certain counties for which complete figures were available, some interesting facts were found. In one county where there is only one railroad system, the valuation of the line constituted forty-three per cent of the total valuation. It paid approximately the same percentage of general property taxes charged. However, this county collected only 85 per cent of its taxes and on the basis of actual collections the railroad paid 47 per cent. It paid over 50 per cent of the taxes collected for state and county purposes and in certain school districts it paid a still higher ratio. For instance, in one school district \$1,292.70 was levied of which the railroad paid 898.02. In another district \$2,424.71 was levied, the railroad paying \$2,052.12. Of course, there were certain districts in which the railroad paid in less proportion and other districts have levies through which the road does not run. Taking the districts having railroad property together, the total taxes charged on special levies amounted to \$18,761.97 of which the railroad paid \$8,417.07. If the 85 per cent collection estimate applies to these districts, the road paid over 50 per cent. Of the \$72,000 levied for county school maintenance, the railroad paid over \$30,000 which was nearly half of the amount actually collected for this purpose.

In another county, where the railroad valuation in 1918 constituted practically 35 per cent of the total valuation, a railroad line paid \$58,033.99 of the total general property levy of \$148,540.93. The per centage of taxes collected in this county was 92.53. On the basis of actual collections, therefore, the railroad paid 42 per cent. For county and county high school maintenance, \$38,000 was levied in this county and approximately \$35,500 collected, the railroad paying nearly \$15,000 of this amount. Taxes were levied in all of the school districts of the county for special purposes such as building, interest and sinking funds. The total of such levies was \$8,724.39 of which the railroad paid \$2,303.12. On the basis of actual collections, the road paid probably fully 25 per cent of these taxes. In one district the levy was for \$928.72, the railroad paying \$579.07; in another the road paid \$144.47 of the total \$202.13 levied; in another, \$206.21 of \$270.12 levied; in another \$299.06 of \$463.99 levied; in another, 195.17 of \$208.57 levied.

Taxes levied upon railroads in 1919 amounted to \$2,299,603.49 which was 25.73 per cent levied upon property in general. As the railroads pay taxes fully and promptly and the collections for the state show usually a 10 per cent delinquency, it is probable that for that year the railroad paid nearly 30 per cent of the total collection. The following table shows total general property taxes levied, railroad taxes and per cents by counties, taxes net output of mines not included.

Counties	Total Taxes	R. R. Taxes	%
Bernalillo	\$ 748,378.93	\$ 78,688.84	10.51
Chaves	532,437.19	42,566.84	7.99
Colfax	610,668.12	132,289.26	21.66
Curry	354,362.62	85,852.86	24.23
DeBaca	152,595.32	76,774.28	50.03
Dona Ana	438,069.63	172,949.70	23.44
Eddy	275,274.33	35,157.13	12.77
Grant	562,175.06	136,434.48	24.27
Guadalupe	211,884.59	102,915.75	48.57
Lea	186,281.10	1,885.70	1.01
Lincoln	239,260.53	90,102.17	37.67
Luna	294,379.65	143,911.54	48.88
McKinley	254,940.11	98,322.18	38.56
Mora	243,366.22	60,646.16	24.92
Otero	298,866.63	121,971.69	40.81
Quay	369,495.16	115,938.66	31.38
Rio Arriba	182,699.53	40,069.62	21.93
Roosevelt	220,958.30	40,553.84	18.35
Sandoval	93,957.42	29,417.69	31.31
San Juan	160,841.74	15,263.85	9.49

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San Miguel	548,063.87	123,003.50	22.44
Santa Fe	305,377.92	72,069.06	23.60
Sierra	99,386.33	30,195.37	30.38
Socorro	424,896.53	87,486.10	20.59
Taos	124,592.77	17,118.35	13.74
Torrance	267,975.64	131,022.89	48.89
Union	427,404.91	65,506.03	15.33
Valencia	308,711.97	151,489.97	49.07
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Totals	\$8,937,302.12	\$2,299,603.49	25.73

APPENDIX XIV.

MEMORANDA WITH REFERENCE TO ASSESSMENT OF OMITTED PROPERTY, ETC.

The matter of omitted property and undervaluations is of serious importance to all taxpayers.

Property omitted from the assessment roll escapes taxation entirely as a matter of course, property undervalued escapes to the extent of such undervaluation and so in the end it is a matter of degree only. Taxpayers, who are assessed at the full value of their property, are bearing an undue and unjust burden of the cost of government and are entitled to be relieved of such an intolerable situation.

The present statutory law will not permit of such an equalization of the tax burden as is contemplated by the Constitution of the State. The power now conferred upon Boards of County Commissioners to fix the value of all lands, except grazing lands, results in a blanket valuation of farm, mineral and other lands. Such methods only emphasize and bring about the present inequalities of assessment.

The power of the State Tax Commission to classify and fix the value of all grazing land in the various sections of the state, while well intentioned, results in the same inequalities of assessment as the blanket valuations fixed by the Boards of County Commissioners. Thousands of acres of land used for grazing purposes have a sale value of \$5.00 to \$12.00 per acre and are assessed at \$3.75 per acre. Just how the taxing authorities can justify any action which brings about an assessment of \$3.75 on \$10.00 land when on the other hand buildings and homes in cities may be assessed at the full value and frequently are, must be on the theory that capital invested for one purpose is less valuable than that invested for another.

The power of the State Tax Commission to fix the actual valuation of livestock should be so changed as to permit the fixing of minimum valuations instead. Livestock varies in kind and character, and the fixing of a specific valuation on a cow, steer, horse, or sheep, to apply all over the state in no wise equalizes the assessment but rather has the opposite effect.

A tabulation of real estate transfers, compiled February, 1920, involving 6591 transfers in all portions of the state, indicates that the ratio of assessment to sale value is 56%.

Assuming that 60% is nearer correct, if all real estate were assessed at actual value the increase would be over \$100,000,000 on both city and rural real estate and not including mines or mineral lands.

Experience has demonstrated that personal property is

assessed at no greater than 65%, if such property were assessed at actual value it would increase the assessment \$50,000,000.

The assessment of money, notes, credits, etc., in 1919 was \$992,808. Twenty times the amount would be a reasonable estimate. Therefore, an increase of nineteen or twenty millions could be obtained if all such property were assessed.

As to omitted property. Many counties have no system of land checking and considerable real estate must necessarily be omitted, personal property also escapes in its entirety. I believe that no less than ten millions of dollars is now escaping entirely.

Summary:

Land	\$100,000,000
Personal property	50,000,000
Money, notes, credits, etc,	20,000,000
Omitted property	10,000,000
Total	\$180,000,000
1919 Assessment	385,000,000

Approximate valuation \$565,000,000
of state, not deducting exemptions.

The remedy to cure these defects lies:

First: In a proper law, permitting taxing authorities to determine the true value of all property, regardless of class.

Second: Qualified assessors.

Third: Expert tax commissioners.

APPENDIX XV.

MEMORANDUM ON CENTRALIZED EMPLOYMENT.**General:**

In the State of New Mexico, with less than 400,000 inhabitants, the total number of public employees in the state government cannot be very large. It surely does not exceed 2,000, and probably not over 1,000, this including employees in institutions and all those outside of the central offices at Santa Fe. With this small number of employees it would be unwise to consider any sort of elaborate centralized control of employment. Any simple system which will eliminate patronage and make appointment and promotion dependent upon merit, should solve the problem.

Centralized employment control may vary all the way from elaborate system with a highly paid civil service commission and a highly developed organization under it, consisting of examiners, organizers, and those in charge of the routine administration of the office, to a very simple system consisting of a single superintendent of employment who will exercise central supervision over original appointment and promotion.

Classification and Standardization:

Before proceeding to outline any sort of a system, it is, of course, necessary to know just what constitutes the problem. In other words, it is necessary to know how many positions there are, what kind they are, and what salaries attach thereto. This can only be ascertained from a fairly detailed investigation. The next step is to classify these positions; that is to say, to group those positions having similar duties, responsibilities, and entrance into classes, and to give such classes standard titles. An example of such grouping would be letter-carriers, switchmen, laborers, etc. These perfectly simple examples are given in order to make the point clear. It will be more difficult to group into classes clerical and stenographic positions having the same duties, responsibilities, and qualification requirements, but such grouping must be made. In addition to deciding on a title, the specifications of the classes must be prepared, including a statement of the duties of the positions in said classes, responsibilities involved and the qualification requirements considered essential in applicants for positions in the class.

After positions are grouped into classes, they are further grouped on the basis of degree of responsibility; that is to say, positions, the duties of whose incumbents are to perform rou-

tine directed work, would be in a rank lower than those performing work requiring the exercise of independent judgment, and again lower than those whose duties require the supervision of others.

A still further grouping of classes is along occupational or functional lines; for example inspectional, clerical or engineering.

With the classification completed, the next step is to determine upon a standard compensation for classes of positions. There are many considerations which apply; among others being importance of the duties of the position, the degree of responsibility exercised, the qualifications required for entrance, the opportunities for promotion, what other employers are paying, fairness to the employee and tax paying public; the cost of living, and other economic considerations.

Kind of Central Employment Control Desirable.

When the classification and standardization are completed, there is some basis for determining on the kind of central employment control desirable. That such is necessary may be proved from a study of the variation in rates paid to similar kinds of positions as will be brought out in the classification study even if it is not well known in advance that such conditions exist. In addition patronage is rampant and if it is really desired to suppress patronage, central employment control is necessary.

For this state, with its small population, and small number of public employees, certainly no elaborate system is needed. On the other hand, the system must be strong enough to prevent abuses.

Outline of a Possible System.

Until knowledge of present conditions is gained it would be foolhardy to attempt to set up a definite system. Any suggestions made here must, of course, be considered off-hand suggestions.

A simple law should be prepared providing for central employment control. It should provide for the appointment, perhaps ex-officio, of a competent person to give part time to the control of original and promotional appointments, and to the proper administration of the classification plan. The law should also provide for the adoption of the classification and standardization plan and should give the salaries set up therein, or as amended from time to time, official recognition and approval.

The selection of a competent Employment Superintendent may present a problem. If a budget commission should be pro-

vided for by legislation, its secretary might be chosen with the idea that he would divide his attentions between budget and employment matters. Certainly neither one of these activities would require full time. It will probably not be possible to secure a man who has had experience in either budget or employment work without paying a high salary, and it would, therefore, be better to select a man on this basis. He should probably be appointed by the Governor with the consent of the Senate, but for a time not coincident with that of the Governor.

Original Appointment.

Until the number of appointments in the state service increases greatly over the present, it should probably be provided that appointments be made as at present, by department heads, but that before such an appointment may become effective, notification thereof be sent to the central employment official, hereafter called the Employment Superintendent, whose duty it should be to examine this proposed appointment from three angles:

First: As to whether the proposed appointee is qualified to fill the position.

Second: If the title of the position and the salary proposed are in conformity with the classification.

Third: If the appointment is necessary and for the public good.

The Employment Superintendent may go about checking the selection in several different ways. He can simply interview the applicant, or he may go to the other extreme of subjecting him to a comprehensive test. A comparison of the title and the proposed salary with the classification will satisfy the second requirement. The difficulties in the way of ascertaining whether or not the appointment is justifiable and in the interest of the public good are at the present, however, so great as to make this requirement at this time almost impossible of fulfillment.

After the Superintendent of Employment has assured himself as to the qualifications of the applicant, and that his appointment is in conformity with the classification and standardization, he will certify him for appointment, even tho' under this plan selection is left with department heads, it would not be long before applicants for positions would discover that there was an Employment Superintendent and would make application direct with him. Department heads learning this would soon ask the Employment Superintendent to make

their selections for them and thus centralized employment control will become more and more an established fact.

Meritorious Performance.

After selecting an employee upon merit, it is essential that the state secure from him satisfactory service, or failing in this, that the state remove the inefficient employee from the pay roll. This necessitates the keeping of records of the quantity and quality of work of the individual employees. These records, ordinarily called efficiency records, should be kept in the office of the Employment Superintendent, and the department heads, with the aid of their subordinates, should report periodically to the Employment Superintendent the efficiency of the employees in their respective departments. It is admitted in advance that to secure efficiency records that are worth anything is most difficult of accomplishment. Many attempts have been miserable failures. It is essential, however, that the attempt be made, and that accuracy be striven for. It is obvious that the keeping of efficiency records is capable of almost indefinite development, but in the beginning it will be quite sufficient to accept what might be called the "judgment" marks of the superiors. It should be the duty of the Employment Superintendent to adopt such measures as will assure substantial uniformity in the markings of the different department heads for positions in the same class.

Promotion.

Vacancies in the higher positions should be filled, so far as practicable, by promotion. If a vacancy occurs in one of this kind of positions, the department head should notify the Employment Superintendent, sending him at the same time a list of the employees in his department whom he thinks are qualified to fill the vacant position. The Employment Superintendent should give publicity to the vacancy and notify employees in other departments, who think themselves qualified, to make application. It should be the duty of the Employment Superintendent to determine the eligibility of the various applicants. The Employment Superintendent and the department head together should work out the form of test which they would consider proper in each particular instance. This form of test, as in the case of original entrance, may be simple or complex. The factors which should always be considered, however, are the applicant's knowledge of the duties of the higher position, his past efficiency, and his length of service. The relative weights of these subjects will, of course, be different for different classes.

Advancement.

Advancement differs from promotion in that it means simply increase in compensation without increase in responsibility. It should be provided that employees performing efficient work, after the expiration of a given period, should receive an advancee in pay. This is another place where the efficiency records are necessary. In the working out of standard rates of compensation, in most cases, a range, rather than a single rate of pay, should have been provided; that is to say, the MINIMUM and MAXIMUM, with intermediate rates. Appointment, of course, should always be at the minimum (with certain exceptions which need not be considered here,) and advancement will be from rate to rate within the range until the maximum is reached. The theory upon which such a scheme is founded is that the performance of the duties of a position are worth at least the minimum rate; that as an employee becomes more familiar with the duties, his value in the position increases, and that he should therefore be rewarded for such increased usefulness by giving him a periodical advancee; further that so long as the employee performs the same duties (that is duties which are not more important than those which he performed when he was originally appointed), he should not be paid any more than the maximum rate prescribed for the position, no matter how efficiently he performs his duties.

Removal from the Service.

As stated above, if an employee is inefficient he should be removed. There are two distinct schools of thought on the subject of removal. One believes that the department head should have practically unrestricted authority in this regard, whereas the other believes that there should be no discharge without a full hearing of the facts on both sides of the case. Without going into the merits of this discussion, it is believed that for New Mexico, discharge should be left with the department head, but that he should be required to prepare and forward to the Employment Superintendent a statement of the reasons for making the discharge.

Pension Upon Retirement.

It would be possible to elaborate almost ad infinitum on the subject of incentives in employment, but this is not the place for such a discussion. It is sufficient to say that questions of pension on retirement, employer's representation, training of employees, bonus, welfare, and related subjects must eventually receive the attention of any jurisdiction employing

a large number of workers. Perhaps none of these are pressing now. Undoubtedly the first one to demand attention will be pension on retirement. This is an enormous subject and as you probably are well aware, many pension schemes have come to grief, because actually unsound. When the time comes to consider such a problem, it should be left to experts only.

Benefits of Such an Employment Plan.

1. For the employee:
 - a. Definite knowledge of what the public service has to offer.
 - b. Assurance of selection, advancement and promotion on merit.
 - c. Tenure of position during the period of efficient service.
 - d. Provision for old age.
2. For the department head:
 - a. Partial relief from task of making selections and promotions.
3. For the budget commission and appropriating body:
 - a. Standard terminology and rates of compensation.
4. For the state:
 - a. Relief from patronage.
 - b. Better service from employees.
 - c. Possibility of securing short ballot.

BUREAU OF COMMERCIAL ECONOMICS,
P. H. Myers, Manager, System Div.

October 20, 1920.

APPENDIX XVI.

COST OF STATE GOVERNMENT.

1919-1920.

An examination of the State Auditor's reports for the past ten years shows payments analyzed below. Considering the total payments the increase amounts to \$3,446,587.68, or 382 per cent. In the same time the taxable valuation of the state has increased 110 per cent and the population only 10 per cent. If payments be deducted which are included in the expenditures for schools, state institutions and for investments of permanent fund, we find that the increase in the cost of state government rises from \$503,383.23 to \$2,550,750.50, or nearly 500 per cent. This general statement is derived from the following figures showing payments from state funds.

An analysis of payments made through state treasury follows:

For the 61st Territorial year, ending November 30, 1910:

General Government	\$ 163,119.23
Protection to person and property	77,841.73
Development—Conservation Nat. Resources	31,373.31
Highways	70,819.29
Charities, Hospitals, Corrections	215,226.68
Education	231,633.72
Principal and Interest on Public Debt.....	108,628.02
Permanent Fund	
Miscellaneous	3,152.12
 Total	 \$ 901,794.10

For the 62nd Territorial year ending November 30, 1911:

General Government	\$ 155,798.54
Protection to person and property	74,535.97
Development—Conservation Nat. Resources	33,807.47
Highways	90,391.29
Charities, Hospitals, Corrections	205,140.08
Education	244,197.26
Principal and Interest on Public Debt	75,135.00
Permanent Fund	
Miscellaneous	53,530.10
 Total	 \$ 935,355.71

For 63rd Territorial year ending November 30, 1912:

General Government	\$ 201,203.62
Protection to person and property	57,127.60
Development—Conservation Nat. Resources	55,647.17
Highways	102,283.15
Charities, Hospitals, Corrections	198,555.20
Education	282,909.32
Permanent Funds	9,168.12
Miscellaneous	41,044.46
Principal and Interest on Public Debt	227,062.66
Total	\$1,174,101.30

For the First Fiscal Year ending November 30, 1913:

General Government	\$ 280,298.79
Protection to person and property	81,768.96
Development—Conservation Nat. Resources	92,047.58
Highways	160,983.29
Charities, Hospitals, Corrections	219,272.66
Education	384,159.51
Principal and Interest on Public Debt	533,944.72
Permanent Funds	2,978.55
Miscellaneous	53,327.61
Total	\$1,808,799.67

For the Second Fiscal Year ending November 30, 1914:

General Government	\$ 216,307.19
Protection to person and property	74,932.10
Development—Conservation Nat. Resources	90,486.95
Highways	172,441.63
Charities, Hospitals, Corrections	214,641.88
Principal and Interest on Public Debt	272,421.76
Permanent Funds	6,404.56
Miscellaneous	31,486.37
Education	463,471.31
Total	\$1,542,593.75

For the Third Fiscal Year ending November 30, 1915:

General Government	\$ 358,766.35
Protection to person and property	75,737.59
Development—Conservation Nat. Resources	134,723.86
Highways	653,457.75
Charities, Hospitals, Corrections	213,654.27
Education	651,479.54
Principal and Interest on Public Debt	161,326.43
Permanent Fund	22,428.69
Miscellaneous	39,829.64
Total	\$2,311,404.12

For the Fiscal Year ending November 30, 1916:

General Government	\$ 240,629.20
Protection to person and property	62,812.67
Development—Conservation Nat. Resources	108,920.18
Highways	162,011.90
Charities, Hospitals, Corrections	229,087.79
Education	844,387.28
Principal and Interest on Public Debt	398,631.42
Permanent Funds	154,332.69
Miscellaneous	56,330.12
 Total	 \$2,256,243.25

For the Fifth Fiscal Year ending November 30, 1917:

General Government	\$ 400,310.55
Protection to person and property	238,261.74
Development—Conservation Nat. Resources	124,769.78
Highways	189,272.92
Charities, Hospitals, Corrections	308,522.71
Education	966,970.59
Principal and Interest on Public Debt	223,600.32
Permanent Funds	457,914.03
Miscellaneous	47,210.53
 Total	 \$2,956,833.17

For the Sixth Fiscal Year ending November 30, 1918:

General Government	\$ 288,433.35
Protection to person and property	194,676.72
Development—Conservation Nat. Resources	124,547.43
Highways	588,533.70
Charities, Hospitals, Corrections	261,651.30
Education	1,366,769.33
Principal and Interest on Public Debt	215,044.97
Permanent Funds	459,796.00
Miscellaneous	20,159.13
 Total	 \$3,519,611.93

For the Seventh Fiscal Year ending November 30, 1919:

General Government	\$ 400,655.11
Protection to person and property	203,245.60
Development—Conservation Nat. Resources	318,327.48
Highways	1,095,558.32
Charities, Hospitals, Corrections	327,199.62
Education	1,424,956.10
Principal and Interest on Public Debt	499,786.77
Permanent Funds	78,652.78
Miscellaneous	
 Total	 \$4,348,381.78

In order to avoid duplication in arriving at the cost of government, there should be deducted the payments from the current school fund, because such payments are included in the expenditures for schools in the analysis of county payments. Payments for state educational and other institutions should also be deducted as such payments are included in the analysis of expenditures of such institutions. Investments of state permanent funds are also deducted because such payments are not in the nature of an expenditure. These deductions are represented in the second column below.

	Total Payments	Less Pay'ts for Schools, State Institutions and Permanent Fund	Balance presenting Other Pay- ments	Annual per Cent Increase
Year end. Nov. 30, 1910	\$ 901,794.10	\$ 397,955.87	\$ 503,838.23	.....
Year end. Nov. 30, 1911	935,355.71	403,213.16	532,142.55	5.5
Year end. Nov. 30, 1912	1,174,101.30	457,732.64	716,368.66	34.6
Year end. Nov. 30, 1913	1,808,799.67	575,830.29	1,332,969.38	86.1
Year end. Nov. 30, 1914	1,542,593.75	652,517.75	890,076.00	33.3*
Year end. Nov. 30, 1915	2,311,404.12	854,142.95	1,457,261.17	63.7
Year end. Nov. 30, 1916	2,256,243.25	1,195,807.76	1,060,435.49	27.2*
Year end. Nov. 30, 1917	2,956,333.17	1,791,407.33	1,255,425.84	18.4
Year end. Nov. 30, 1918	3,519,611.93	2,027,214.09	1,492,397.84	18.9
Year end. Nov. 30, 1919	4,348,381.78	1,797,631.28	2,550,750.50	70.9

*—Indicates decrease.

REPORT OF THE NEW MEXICO

APPENDIX XVII.

TOTAL RECEIPTS IN ALL COUNTIES—1915-1919.

	1915	1916	1917	1918	1919
Taxes paid in advance	\$ 68,734.30	\$ 66,610.53	\$ 3,854,054.82	\$ 59,466.72	\$ 5,945,176.35
Taxes current year	3,004,089.55	3,492,941.11	383,988.62	5,249,523.03	472,552.56
Taxes previous year	405,769.96	411,422.90	44,806.24	370,525.68	42,721.54
Poll tax, \$1.00	41,058.33	41,651.16	50,188.46	45,788.49	39,436.55
Road tax, \$3.00	28,600.51	25,374.09	11,627.23	10,590.43	8,755.39
Tax redemption	10,216.39	7,033.33	119,931.45	63,967.11	1,455.06
Liquor license	127,316.34	124,029.82	18,588.78	16,999.59	14,890.72
Merchandise license	30,744.52	19,937.00	21,882.28	19,290.29	17,018.78
Fines—J. P. and Dist. Court	14,257.29	19,391.25	96,898.83	87,398.58	141,419.68
Fees: County Clerk	14,593.51	77,489.18	5,975.11	6,564.42	8,882.09
Probate Clerk	3,576.14	5,675.87	32,422.38	28,498.26	40,937.10
District Clerk	31,599.26	31,551.49	33,328.77	32,968.84	23,292.25
Sheriff	46,041.26	8,120.80	597.76	443.76	359.50
Assessor	2,690.65	2,295.40	2,047.40	2,275.79	3,392.33
Institutional	1,731.14	2,297.47	.....	31.75	.....
District Attorney .....	.....	.....	46,025.80	6,128.77	961.03
County Division	109,281.91	294,536.44	252,998.14	503,240.57	258,106.09
Sale of Bonds	507.11	967.75	151.37	870.48	1,273.95
Rent Court House .....	.....	.....	.....	.....	661.14
Sale county property	4,407.86	8,453.87	7,962.41	30,909.15	28,979.32
Refunds to county .....	.....	.....	.....	491.57	584.27
Refund to school districts .....	.....	.....	.....	.....	6,919.41
Interest from county invest	12,493.73	10,631.89	32,663.88	54,265.44	50,153.64

Total Receipts in all Counties, 1915-1919—Continued.

	1915	1916	1917	1918	1919
Current school from state	210,613.13	446,734.96	515,552.33	577,878.41	652,578.50
State aid	23,466.86	52,709.37	61,756.70	52,638.01	683.30
Forest Reserve	470.78	20,969.25	30,662.92	71,860.58	18,931.72
Auto license from state				38,288.86	20,009.48
Tax deeds issued					48.00
Miscellaneous	106,659.33	62,893.94	61,793.09	40,693.69	54,547.54
Interest			10,152.84	6,992.85	
Total	\$4,377,040.66	\$5,259,504.60	\$5,692,900.95	\$7,445,361.46	\$7,865,454.70

TOTAL PAYMENTS IN ALL COUNTIES—1915-1919.

	1915	1916	1917	1918	1919
Salary	\$ 656,387.55	\$ 447,199.69	\$ 490,077.60	\$ 554,408.94	\$ 582,724.16
Other general county	723,410.58	608,990.63	638,286.01	732,539.92	675,079.46
Total	\$1,379,798.13	\$1,056,190.32	\$1,128,363.61	\$1,286,948.80	\$1,257,803.62
Interest and Sinking	\$ 182,557.58	\$ 201,013.63	\$ 196,410.54	\$ 226,746.46	\$ 236,410.56
Tax redemption	10,727.33	12,235.16	6,921.81	13,707.20	9,806.05
Courts	182,994.95	164,823.93	181,693.67	156,025.32	180,187.55
Roads and bridges	424,893.50	397,412.29	495,409.25	794,912.77	808,476.16
Schools	1,521,744.96	2,012,634.46	2,349,370.77	2,766,526.17	2,877,444.37
Towns	272,787.20	287,014.87	300,801.47	319,919.16	311,777.99
State	985,833.10	1,130,428.68	1,149,305.33	1,689,220.76	1,910,730.70
Total	\$4,961,336.75	\$5,261,753.34	\$5,808,276.45	\$7,254,006.70	\$7,792,637.00

APPENDIX XVIII.

COMPARATIVE STATEMENT OF APPROPRIATIONS
1912-1919.

	1912	1919	Increase	Decrs.
N. M. College of Agri.....	\$ 25,000.00	\$117,990.56	\$ 92,990.56	\$
University of N. M.....	42,000.00	85,000.00	43,000.00	.....
N. M. School of Mines.....	22,500.00	13,000.00	.....	9,500
N. M. Military Institute.....	25,090.00	50,000.00	25,000.00	.....
N. M. Normal University.....	30,000.00	55,000.00	25,000.00	.....
N. M. Normal School	28,000.00	53,000.00	25,000.00	.....
Spanish American Normal.....	8,000.00	11,250.00	3,250.00	.....
Deaf and Dumb Asylum.....	10,000.00	22,000.00	12,000.00	.....
Blind Asylum	10,000.00	34,500.00	24,500.00	.....
Miners Hospital	10,000.00	7,500.00	.....	2,500
Insane Asylum	60,000.00	85,000.00	25,000.00	.....
Reform School	7,775.25	15,090.00	7,725.75	.....
Museum of New Mexico.....	5,000.00	25,800.00	20,800.00	.....
N. M. Penitentiary	71,460.90	89,560.00	18,100.00	.....
Capitol Bldg. and Mansion.....	12,760.00	15,500.00	2,740.00	.....
Child Welfare .....	.....	6,000.00	6,000.00	.....
Girls' Welfare .....	.....	8,000.00	8,000.00	.....
State Board of Health.....	.....	13,000.00	13,000.00	.....
Vocational Education .....	.....	20,688.68	20,688.68	.....
Historical Society .....	.....	1,200.00	1,200.00	.....
Predatory Animals .....	.....	25,000.00	25,000.00	.....
Total	\$367,495.25	\$753,989.24	\$408,494.99	\$12,000

CHARITABLE INSTITUTIONS.

	1912	1919
Orphan School	Santa Fe	\$10,000 \$10,000
St. Vincent's Hospital	Santa Fe	3,600 3,600
Grant County Hospital.....	Silver City	1,800 1,800
Sisters of Mercy	Silver City	1,800 1,800
Ladies' Hospital	Deming	1,800 1,800
Eddy County Hospital	Carlsbad	1,800 1,800
Sisters' Hospital	Albuquerque	2,400 2,400
Ladies' Relief Society.....	Albuquerque	3,000 3,000
Gallup Hospital	Gallup	2,000 2,000
St. Mary's Hospital	Roswell	1,800 1,800
Sisters of Loretto	Mora	1,000 1,000
Sisters of Loretto	Las Cruces	1,000 1,000
Total	\$32,000 \$32,000

SPECIAL REVENUE COMMISSION

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	1912	1919	Increase	Decrs.
Mounted Police	\$ 12,000.00	\$ 50,000.00	\$ 38,000.00	\$.....
Militia Fund	10,700.00	10,790
Interest and Deficiencies.....	91,240.00	91,285.76	45.76	.....
Total	\$113,940.00	\$141,285.76	\$ 38,045.76	\$10,700

SALARY FUND.

	1912	1919	Increase	Decls.
Governor	\$ 12,600.00	\$ 14,600.00	\$ 2,000.00	\$.....
Secretary of State	6,250.00	7,200.00	950.09	.....
Auditor	6,300.00	6,900.00	600.09	.....
Treasurer	5,500.00	7,000.00	1,500.00	.....
Attorney General	9,400.00	12,400.00	3,000.00	.....
Supt. Public Instruction.....	11,500.90	21,750.00	10,250.00	.....
Adjutant General	4,200.00	6,000.00	2,400.00	.....
Traveling Auditor	9,200.00	17,300.00	8,100.00	.....
Mine Inspector	4,000.00	4,800.00	800.00	.....
State Engineer	7,000.00	10,600.00	3,600.00	.....
Supreme Court	24,600.00	28,500.00	3,900.00	.....
Supt. of Insurance .....	.....	4,000.00	4,000.00	.....
Bank Examiner	1,000.00	11,300.00	10,300.00	.....
Librarian	3,200.00	3,700.00	590.00	.....
Pension—Mrs. De Baca .....	.....	1,200.00	1,200.00	.....
Legal Adviser .....	.....	2,000.09	2,000.00	.....
Water Commisioner	3,500.00	1,690.00	.....	1,900
Tax Commission	1,900.00	40,090.00	38,100.00	.....
Grading examination papers .....	.....	2,400.00	2,400.00	.....
Board of Ed., per diem.....	.....	1,000.00	1,000.00	.....
Insurance of Armories .....	.....	325.00	325.00	.....
Printing	900.00	1,350.00	450.00	.....
Pub. Const. A.	1,500.00	2,000.00	500.09	.....
District Judges	36,000.00	40,500.00	4,500.00	.....
District Attorneys .....	.....	9,000.00	9,000.00	.....
Corporation Commission	22,050.90	22,300.00	250.00	.....
Industrial Director	1,600.00	.....	.....	1,600
Students and Teachers .....	.....	17,400.00	17,400.00	.....
R. R. Fare Normal Students .....	.....	12,000.09	12,000.00	.....
U. S. Land Office Fees.....	5,000.00	1,000.00	.....	4,000
Legislature	50,000.00	25,000.00	.....	25,000
Board Loan Commisioners.....	750.00	.....	.....	750
Experimental Farm	3,500.00	.....	.....	3,500
Indigent Students	7,200.00	.....	.....	7,200
Repairing Old Palace	5,000.00	.....	.....	5,000
Total	\$243,650.00	\$335,725.00	\$141,025.00	\$48,950

RECAPITULATION.

	1912	1919
State Institutions	\$367,495.25	\$ 753,989.24
Charitable Institutions	32,000.00	32,090.00
Mounted Police, etc.	113,940.00	141,285.76
Salary Fund and Contingencies	243,650.00	335,725.00
 Total	 \$757,085.25	 \$1,263,000.00
Levy	* 12 mills	3½ mills
 1/3 4 mills.		

*—Property assessed at 1/3 value. If assessment at full value the rate would have to be four mills.

VALUE OF THE NET OUTPUT OF MINES AS ASSESSED BY STATE TAX COMMISSION—1915-19.

(Laws 1915, Chap. 55; for 1919 assessment see Chap. 61.)

	1915	1916	1917	1918	1919
Colfax County:					
St. Louis, Rocky Mtn. & Pac. Co.,.....	721,950	734,045	1,428,084	1,810,465	1,323,531
Stag Canyon Fuel Co.,.....	425,780	410,918	914,212	1,391,923	928,672
Maxwell Land Grant	291,191	323,110	219,530	114,737	219,125
H. H. Chandler .....	.....	621	1,485	250	335
Superior Coal Co. .....	.....	.....	1,323	22,206	5,531
Total.....	\$ 1,438,921	\$ 1,468,694	\$ 2,564,634	\$ 3,339,581	\$ 2,477,194
Dona Ana County:					
A. Ross, sub-lease	\$ 1,023	\$	\$	\$	\$
B. L. Farvar, Lessee	654	714	.....	.....	.....
Anne L. Meadseroff, et al .....	.....	.....	219	.....	.....
Memphis Mining Company .....	.....	.....	.....	.....	142
Total.....	\$ 1,677	\$ 714	\$ 219	.....	\$ 142
Grant County:					
Chino Copper Co.	\$ 6,846,204	\$12,600,293	\$11,375,801	\$ 7,383,905	\$10,440,474
Hanover Bessemer Iron & Copper Co.	10,000	9,729	22,815	63,641	35,869
“85” Mining Company	183,689	566,613	415,838	16,751	.....
Empire Zinc	358,233	.....	.....	.....	.....
Burro Mountain Copper Co.	17,152	639,056	1,708,691	1,386,584	1,220,955

REPORT OF THE NEW MEXICO

	1915	1916	1917	1918	1919
H. R. Brandenburg	2,937				
Wiggins & Hill	914	14,128			
Colorado Fuel & Iron Co.		124,668			
Acuna, Alcario, Tyrone		15,000			
Beal Myers Co., Tyrone		4,690			
Bonney Mg. Co., Lordsburg		3,762	17,973		
Carter, Theo., Silver Co.		595	482		
Empire Zinc (Cleveland)		96,426	128,729		
Empire Zinc (Hanover)		375,126	232,467	196,603	250,767
Hermosa Copper Company		7,316	41,193	4,916	
Moses & Kirchman		13,064			
Newcomb, W. N.		2,776	2,379		
Owen, A. L.		12,508			
Ritter, W. F.		602			
Stevenson, Anna L.		368			
Ross, Thomas J.		46,066	23,526	28,302	
Silver Cell Mining and Smelting Co.					
Quarrel & O'Brien		3,848	2,377		
Wells & Shelly					
Wiggins, T. H.		617	1,759	41,701	
E. McFarland				6,646	
Hanover Copper Co.				1,182	
Mangas Dev. Co.				1,603	
United States Copper Co.				29	
G. A. Stevens				1,776	
Republic Mining & Milling Co.				38	
Royal, John, M. & M. Co.				719	58,895
					24,329
				4,515	

SPECIAL REVENUE COMMISSION

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	1915	1916	1917	1918	1919
Black Hawk Consolidated			11,623	12,271	8,265
Kirchman & Crawford			4,674	25,826	
Lawrence Mining Company			1,203		
Savannah Copper Company			6,611		
Gilchrist & Hothkiss			38,488	48,287	
Gilchrist & Dawson			17,214		
George H. Utter					
Austin Amazon Copper Co.				89	
Myers, E. F.				3,113	
Oeto Mining Co.				68	
O'Brien, J. H.				1,593	
Farquier Company				16,330	31,417
Witcher, Geo.				895	
Total	\$ 7,419,129	\$14,537,301	\$14,063,705	\$ 9,296,561	\$12,012,076
Hidalgo County:					
“85”, Mining Company	\$	\$	\$		\$ 308,363
Great Eagle					10,205
Total	\$	\$	\$		\$ 318,568
Lincoln County:					
White Cat Leasing Co.	\$ 9,688	\$	\$		\$
White Oaks Mining Cons.	17,008	17,000			10,501
Total	\$ 26,696	\$ 17,000	\$	\$ 10,501	\$

REPORT OF THE NEW MEXICO

	1915	1916	1917	1918	1919
Luna County:					
Cook's Peak Mining Co.	\$ 7,365	10,000	376		
Meeks Hugh & Mrs. Mae Poe		3,399			
Arnold, R. C.			1,077		
Gage Mining Company			2,609		
Total	\$ 7,365	\$ 13,399	\$ 4,063	\$	\$
McKinley County:					
Diamond Coal Company	\$ 65,692	\$ 53,698	\$ 108,003	\$ 156,009	\$ 167,118
Gallup Southwestern C. C.	27,978	18,338	25,432	65,438	31,217
Independent Coal Company	1,450	2,453			
Victor American Coal Co.	89,978	53,538			
Direct Line Coal Company		1,837	19,321		
Fellin, Otto		509		9,839	26,190
Myers Bros.		707			
Dominie Caretto			3,008		
Lawrencee Coal Company			1,436		
George Bahany			2,362		
Enterprise Coal Company			1,292	3,449	3,831
Frank Bandino & Son			1,271		
Defiance Coal Company			13,809	8,927	3,227
Gallup-American			46,598	118,470	252,302
Mutual Light & Power				551	16,580
Total	\$ 185,098	\$ 131,080	\$ 222,532	\$ 362,683	\$ 500,465

	1915	1916	1917	1918	1919
Otero County:					
Jarillo Copper	\$ 10,891	\$ 2,291	\$ 15,342	\$	\$
James Douglas, Trustee	3,446	.....	14,906	19,637	.....
Oro Iron Company	9,324	.....	27	.....	.....
G. E. Moffett, Lessee	277	1,546	.....	.....	.....
Providence Mines	340	.....	.....	.....	.....
Murray J. J.	.....	2,363	.....	.....	.....
Tularosa Copper Co.	.....	2,832	.....	.....	.....
Garnet Copper Co.	.....	.....	10,459	.....	51
Zoro Gold & Copper—Moffett	.....	.....	.....	.....	.....
Total	\$ 24,278	\$ 9,032	\$ 40,734	\$ 19,688	\$
Rio Arriba County:					
A Luehetti	\$ 332	\$ 251	\$ 3,049	\$ 5,326	\$ 10
Total	\$ 332	\$ 251	\$ 3,049	\$ 5,326	\$ 10
San Juan County:					
L. W. Hendrickson Co.	\$	\$	\$ 44	\$ 584	\$
Black Diamond M. Co.	.....	.....	379	684	.....
Christensen .....	.....	.....	.....	291	742
Sinouse, Sam .....	.....	.....	.....	390	.....
Thomas, A. C. .....	.....	.....	.....	.....	.....
Total	\$	\$	\$ 423	\$ 1,949	\$ 742

REPORT OF THE NEW MEXICO

	1915	1916	1917	1918	1919
Sandoval County:					
Cossack Mining Co.	\$ 23,000	\$ 11,500	\$.....	\$.....	\$.....
Total	\$ 23,000	\$ 11,500	\$.....	\$.....	\$.....
Santa Fe County:					
Albuquerque & Cerillos Coal Co.	\$ 53,689	\$ 70,232	\$ 159,700	\$ 71,078	\$ 111,029
Leonard Lewisohn Coal M.	2,226	8,174	4,922	.....	670
Santa Fe Gold & Copper Co.	159,830	191,361	.....	.....	.....
Rocky Mountain Mines Co.	.....	.....	2,300	.....	.....
Total	\$ 215,745	\$ 269,767	\$ 166,922	\$ 71,078	\$ 111,699
Sierra County:					
Sinnamakoning Gold & Copper M. Co.	\$.....	\$.....	\$ 125	\$.....	\$.....
Lake Valley Mines Co.	.....	.....	.....	20,189	4,391
Total	\$.....	\$.....	\$ 125	\$ 20,189	\$ 4,391
Socorro County:					
Carthage Fuel Co.	\$ 8,387	\$ 7,726	\$ 30,736	\$ 27,337	\$ 16,722
Mines & Metal Co., Ambrosia	4,091	4,909	.....	.....	.....
Mines & Metal Co., Juanita	17,786	21,342	.....	.....	2,147
Stuppi Liao Ozark S. & M. Co.	27,300	.....	.....	.....	.....
Empire Zinc	98,881	.....	.....	.....	1,108
Exter, Long & Combs, Lease Empire	779	.....	.....	.....	.....
Mogollon Mines Co.	130,485	70,009	141,162	.....	68,096

	1915	1916	1917	1918	1919
Socorro M. & M. Co.	180,154	183,725	173,346	16,259	66,767
Ozark Smelting & Mining Co.	548,572	75,947	218,691	191,232	40,734
Empire Zinc (Kelly)				34,341	3,892
Kimney, B. H.			2,044	34,341	53,282
Oaks Company			1,467	4,350	
Shervin-Williams Co. formerly owned by Ozark		161,409		123,720	
Tri-Bullion Sm. & Dev. Co.		42,623			
Companion Company			1,133		514
Germany M. & D. Co.			333		
Ferrin & Paskal			16,010		8,145
Mines & Metals					5,411
Confidence Mine					32,969
Deadwood Mining Co.					532
Total	\$ 1,016,435	\$ 789,892	\$ 592,643	\$ 233,522	\$ 286,249
Torrance County:					
Blue Star Mining Co.		\$	\$ 3,443	\$ 1,334	\$
New Mexico Salt Ref. Co.				3,233	
Total	\$		\$ 3,443	\$ 4,567	\$
Recapitulation:					
Colfax	\$ 1,438,921	\$ 1,468,694	\$ 2,564,634	\$ 3,339,581	\$ 2,477,194
Dona Ana	1,677	714	219		142
Grant	7,419,129	14,537,301	14,036,301	9,296,561	12,012,076
Hidalgo					318,568

REPORT OF THE NEW MEXICO

	1915	1916	1917	1918	1919
				10,501	
Lincoln ..	26,696	17,000	.....	.....	.....
Luna ..	7,365	13,399	4,063	.....	.....
McKinley ..	185,098	131,080	222,532	362,683	500,465
Otero ..	24,278	9,032	40,734	19,688	.....
Rio Arriba ..	332	251	3,049	5,326	10
San Juan ..	.....	.....	423	1,949	742
Sandoval ..	23,000	11,500	.....	.....	.....
Santa Fe ..	215,745	269,767	166,922	70,078	111,699
Sierra ..	.....	.....	125	20,189	4,391
Socorro ..	1,016,435	789,892	592,643	233,522	286,249
Torrance ..	.....	.....	3,443	4,567	.....
Total ..	\$10,358,676	\$17,248,630	\$17,662,492	\$13,365,645	\$15,711,536

APPENDIX XX.

FACTS AS TO STATE LANDS. (Reported as of Oct. 31, 1919.)

APPENDIX XXI.

BONDED STATE AND LOCAL INDEBTEDNESS.

Counties	County	Sch. Dist.	City	Total
Bernalillo ..	\$ 354,600	\$1,156,200	\$ 853,000	\$2,363,800
Chaves ..	271,000	280,300	237,000	783,300
Colfax ..	59,000	254,500	486,997	800,497
Curry ..	59,000	297,000	348,000	704,009
De Baca ..	81,585	47,871	.....	129,456
Dona Ana ..	210,100	169,900	115,000	495,000
Eddy ..	72,500	122,047	95,000	289,547
Hidalgo ..	53,000	96,000	.....	149,900
Grant ..	228,000	90,800	116,500	435,300
Guadalupe ..	66,000	25,900	15,000	106,000
Lea ..	106,000	64,590	.....	170,500
Lincoln ..	150,000	53,009	.....	203,000
Luna ..	10,000	196,880	258,000	464,880
McKinley ..	86,000	38,885	240,900	364,885
Mora ..	120,000	187,950	45,000	352,950
Otero ..	45,000	98,186	300,000	443,186
Quay ..	44,445	118,152	153,800	316,397
Rio Arriba ..	17,500	.....	.....	17,500
Roosevelt ..	50,000	58,550	100,900	208,550
Sandoval ..	38,700	10,000	.....	48,700
San Juan ..	484,200	59,700	65,000	608,990
San Miguel ..	529,500	37,500	78,000	645,000
Santa Fe ..	55,000	56,009	31,700	142,700
Sierra ..	164,000	6,000	.....	170,000
Socorro ..	49,500	183,209	30,000	262,700
Taos ..	40,000	50,000	.....	90,000
Torrance ..	44,500	102,690	.....	147,100
Union ..	111,000	164,900	180,000	455,900
Valencia ..	20,000	23,500	43,500
<hr/>				
Totals ..	\$3,620,130	\$4,049,211	\$3,747,997	\$11,417,338
<hr/>				
State	4,207,509
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Total State and Local	\$15,624,838

APPENDIX XXII.

TABULATION OF REAL ESTATE TRANSFERS.

Taken from County Records, showing aggregate sale values of 6591 transfers and the aggregate assessment of same.
 Issued by State Tax Commission of New Mexico, February 1920.

County	RURAL PROPERTY			URBAN PROPERTY			TOTAL		
	Sale Value	Ass'd Value	%	Sale Value	Ass'd Value	%	Sale Value	Ass'd Value	%
Bernalillo	\$ 625,380	256,746	41	\$ 197,119	\$ 138,875	79	\$ 197,119	\$ 138,875	70
Chaves	1,759,976	969,910	55	330,794	155,535	47	956,174	412,281	43
Colfax	1,539,258	812,475	52	300,644	196,719	65	2,060,642	1,166,629	56
Curry	169,456	85,553	50	474,680	321,171	67	2,013,938	1,133,646	56
De Baca	288,684	261,123	90	53,717	30,670	57	225,173	116,223	52
Dona Ana	497,312	279,888	56	65,889	55,312	83	354,573	316,435	89
Eddy	200,066	71,685	35	122,580	67,395	54	619,892	347,283	56
Grant	685,107	223,265	32	170,846	120,873	70	370,912	192,558	51
Guadalupe	103,920	72,880	70	47,896	15,329	31	733,093	238,594	32
Lea	267,953	113,672	42	124,456	53,365	43	116,376	78,245	67
Lincoln	359,880	111,465	30	126,847	40,155	31	394,800	153,827	38
Luna	647,831	468,649	72	173,419	64,801	37	533,299	176,266	33
McKinley	737,149	365,083	49	312,572	184,958	59	960,463	653,607	68
Mora	487,089	313,431	64	17,850	10,925	61	754,939	376,008	49
Otero	1,009,290	531,774	52	193,268	109,575	56	680,357	423,006	62
Quay	93,897	73,214	77	262,984	144,092	54	1,272,274	675,866	53
Rio Arriba	420,799	251,379	59	28,642	11,422	39	122,539	84,636	69
Roosevelt	72,795	55,899	76	94,127	38,075	40	514,926	289,454	56
Sandoval	399,017	331,457	84	30,277	15,219	50	72,795	55,899	76
San Juan	1,482,065	1,557,764	105	535,445	376,226	70	2,017,510	1,933,990	95
San Miguel	50,792	47,664	93	107,775	76,340	70	158,567	124,004	78
Santa Fe	257,033	84,294	32	50,775	19,435	38	307,808	103,729	33
Sierra	593,121	139,239	23	102,822	48,935	47	695,943	188,174	27
Socorro	142,718	88,983	62	.....	.....	.....	142,718	88,983	62
Taos	233,734	155,286	66	129,872	34,234	26	363,606	189,520	52
Torrance	2,193,968	887,513	40	574,512	207,149	36	2,768,480	1,094,662	39
Union	157,151	148,922	94	59,795	24,718	41	216,856	173,640	80
Valencia	Total	\$15,466,441	\$8,759,213	56	\$4,577,513	54	\$20,043,954	\$11,272,707	56

APPENDIX XXIII.

COMPARISON OF CERTAIN EDUCATIONAL CONDITIONS IN THREE SECTIONS OF THE U. S.

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REPORT OF THE NEW MEXICO

STATE	Children between 5 and 18 in 1918 (estimated).			Average number of children per square mile (1918).		
	Land area. sq. miles	Value of property per child. \$ millions	Value of property per child. \$ millions	Total white Negro	Total white Negro	Total white Negro
11 Southern States.						
Virginia.....	523,532	626,093	1,196	466,483	211,501	678,455
North Carolina.....	305,134	705,012	1,401	731,559	255,413	11,0
South Carolina.....	335,046	505,799	1,510	2,604	30,495	29,578
Tennessee.....	552,668	656,128	1,187	667,117	2,879	554,374
Georgia.....	620,616	833,447	1,313	861,495	2,766	58,725
Florida.....	214,195	216,078	1,069	230,463	4,553	54,861
Alabama.....	513,111	678,934	1,323	700,812	3,035	51,279
Mississippi.....	426,953	584,920	1,370	602,836	2,231	46,382
Louisiana.....	414,919	518,734	1,250	538,026	4,023	45,409
Arkansas.....	398,824	494,263	1,241	512,673	3,569	52,952
Texas.....	1,003,357	1,221,041	1,217	6,860	1,280,577	3,537
11 Northern States.						
Massachusetts.....	1,021,660	751,441	736	6,303	779,389	8,085
Connecticut.....	347,692	255,691	735	2,663	310	4,852
New York.....	2,836,773	2,072,571	731	25,011	2,166,246	11,546
New Jersey.....	774,702	608,786	786	5,713	643,736	8,922
Pennsylvania.....	2,309,026	1,909,915	827	15,458	1,986,915	7,783
Ohio.....	1,484,265	1,126,831	759	8,908	1,159,113	7,686
Michigan.....	822,434	691,235	794	5,427	712,713	7,615
Indiana.....	1,743,182	674,624	820	5,195	684,941	7,585
Illinois.....	663,743	1,387,661	796	15,484	1,432,633	10,808
Wisconsin.....	640,650	656,450	937	4,488	656,931	6,832
Iowa.....	663,672	881	7,868	584,032	13,473	55,586
11 Western States.						
Montana.....	155,017	80,930	522	1,150	87,314	13,170
Wyoming.....	63,201	30,127	477	2,354	32,533	10,855
Colorado.....	271,648	186,968	683	2,387	200,511	11,934
New Mexico.....	94,637	94,876	1,003	514	103,412	4,966
Idaho.....	110,863	85,909	775	608	95,522	6,363
Utah.....	104,115	108,417	1,041	782	114,604	6,814
Arizona.....	74,051	50,072	667	502	54,528	5,202
Nevada.....	40,026	13,437	336	4,577	14,887	30,698
Washington.....	441,294	250,196	567	3,219	277,778	11,462
Oregon.....	257,188	147,683	574	1,944	160,397	12,122
California.....	920,397	462,147	502	8,464	500,935	16,898
11 Western States.						
	596	20,380	1,645,761	12,383	1,177,220	1,012,257

APPENDIX XXIV.

WHY MORE FUNDS SHOULD BE MADE AVAILABLE BY
NEW MEXICO TO MEET FEDERAL AID.**Estimated Receipts:**

Delinquent taxes	\$ 50,900.00
Auto licenses	175,000.00
Taxes	1,518,396.87
One year	\$ 1,743,396.87
1920, 1921, 1922	\$ 5,230,190.61
Debentures sold since January 1, 1920	300,000.00
On hand January 1, 1920	198,073.16
Total 3 years	\$ 5,728,263.77

Estimated Expenditures (Other than Federal Aid):

Bernalillo-Farmington-Albuquerque	\$ 18,000
Surveys	20,000
Federal equipment	25,000
Overhead	75,000
District Offices	41,000
Maintenance Patrols	323,000
1913 Highway Bonds	60,000
Emergency Work (includes Forest Aid)	204,000
One year	\$ 766,000
1920, 1921, 1922	\$ 2,298,090.00
Debentures and interest	877,611.35
\$ 3,175,611.35	

Receipts 3 years	\$ 5,728,263.77
Expenditures 3 years (other than Federal Aid)	3,175,611.35
\$ 2,552,652.42	
Federal Aid met by expenditures prior to Jan. 1, 1920 \$ 341,394.34	
Total State Fund available 3 years to meet Fed. Aid \$ 2,894,046.76	

Federal Aid—New Mexico:

1919	\$ 1,273,633.77
1920	1,517,692.99
1921	1,598,467.85
\$ 4,389,794.61	

Recapitulation:

Total Federal Aid	\$ 4,389,794.61
State Funds	\$2,894,046.76
County Funds	70,890.09— 2,964,936.85
Federal Funds New Mexico unable to meet	\$ 1,424,857.76

The foregoing statement is an estimate by the State Highway Commission. It is believed by the Special Revenue Commission that the gasoline tax will yield considerable revenue and that the receipts from delinquent taxes and automobile licenses are underestimated. Overhead expenses can be reduced to \$65,000 annually and it is probable that emergency work will not exceed \$180,000 a year. From \$350,000 to \$400,000, it is thought, may be deducted from the estimated needs.

**STATEMENT OF RECEIPTS AND EXPENDITURES
STATE HIGHWAY COMMISSION**

For the Fiscal Year December 1, 1918 to November 30, 1919,
as per Request New Mexico Special Revenue Commis-
sion Letter Dated October 31, 1920.

Balance on hand December 1, 1918 \$ 122,089.52

Receipts as follows:

Bernalillo	\$ 23,349.56
Chaves	17,009.75
Colfax	25,815.00
Curry	8,350.00
De Baca	7,670.17
Dona Ana	20,594.40
Eddy	10,692.23
Grant	29,203.09
Guadalupe	11,939.32
Hidalgo	
Lea	5,866.00
Lincoln	43,076.47
Luna	14,794.59
McKinley	957.50
Mora	11,438.00
Otero	4,018.23
Quay	7,500.00
Rio Arriba	11,681.14
Roosevelt	6,500.00
Sandoval	2,295.39
San Juan	2,552.00
San Miguel	9,927.26
Santa Fe	15,720.48
Sierra	6,968.32
Socorro	4,116.76
Taos	14,315.37
Torrance	4,181.70
Union	8,700.00
Valencia	1,245.68
Federal Government	39,739.21
Auto Licenses	62,671.39
Taxes, 1 mill and delinquent	342,327.42
Miscellaneous	9,251.54
County Forms	185.54
1913 Highway bonds	12,386.50
1919 Debentures	500,000.00 \$1,297,040.20
	\$1,419,129.72

REPORT OF THE NEW MEXICO

Expenditures as follows:

	Construct.	Mainten.	
Bernalillo ..	\$ 10,144.75	\$ 556.00	\$ 10,700.75
Chaves ..	70,200.75	11,771.15	81,971.99
Colfax ..	65,198.60	14,890.99	80,089.59
Curry ..	1,130.38	19,995.38	21,125.76
DeBaca ..	10,674.92	9,016.11	19,691.03
Dona Ana ..	47,706.67	17,900.87	65,607.54
Eddy ..	9,156.95	18,630.78	27,787.73
Grant ..	64,009.73	23,438.76	87,448.49
Guadalupe ..	5,193.30	13,282.06	18,475.36
Hidalgo ..	445.17	22.25	467.42
Lea ..	7,441.59	59.45	7,501.04
Lincoln ..	30,549.81	4,913.57	35,463.38
Luna ..	30,833.03	.....	30,833.03
McKinley ..	.....	4,773.37	4,773.37
Mora ..	6,831.71	9,517.15	16,348.86
Otero ..	8,979.89	2,844.58	11,824.47
Quay ..	55,067.70	625.00	55,593.79
Rio Arriba ..	4,713.05	2,578.07	7,291.12
Roosevelt ..	4,978.69	13,910.96	18,889.65
Sandoval ..	13,404.49	550.67	13,955.16
San Juan ..	4,608.13	4,457.88	9,066.01
San Miguel ..	17,292.26	20,414.89	37,707.15
Santa Fe ..	58,876.09	3,784.22	62,760.31
Sierra ..	14,297.87	3,792.94	18,090.81
Socorro ..	13,474.66	5,154.32	18,628.98
Taos ..	43,537.42	697.54	44,234.96
Torrance ..	12,973.35	1,919.72	14,893.07
Union ..	12,979.66	9,562.82	22,542.48
Valencia ..	25,263.08	6,426.03	31,689.11
	\$ 650,063.79	\$ 225,388.53	\$ 875,452.32
Farmington-Albuquerque-Bernalillo Road ..	\$ 279.30		
Highway Commission ..	2,754.76		
Office Expense ..	12,245.70		
Office Engineering ..	8,322.29		
1913 Highway Bonds and Interest ..	60,000.00		
Federal Equipment ..	80,285.16		
General Equipment ..	31,808.36		
Travel Expense ..	4,025.96	\$ 1,075,172.95	
Balance on hand November 30th, 1919 ..			\$ 343,956.77

STATEMENT

For Fiscal Year December 1, 1919 to November 30, 1920
 Except Month of November, 1920.

Balance on Hand December 1, 1919. \$ 343,956.77

Receipts as follows:

	County Aid	3 Mill Tax	
Bernalillo	\$ 2,480.40	\$ 55,260.80	\$ 57,741.20
Chaves	25,450.00	53,966.53	79,416.53
Colfax	3,178.64*	85,971.16	82,792.52
Curry	698.71	30,417.32	31,116.03
DeBaca	2,526.21	17,607.50	20,133.71
Dona Ana	19,342.40	49,943.33	69,285.73
Eddy	6,200.00	27,695.43	33,805.43
Grant		122,525.80	122,525.80
Guadalupe	255.72	24,105.62	24,361.34
Hidalgo		145.06	145.06
Lea	3,375.00	19,171.23	22,546.23
Lincoln	1,766.15	27,064.37	28,830.52
Luna	5,000.00	37,006.97	42,006.07
McKinley		29,979.24	29,979.24
Mora	4,963.00	30,016.74	34,979.74
Otero		27,045.61	27,045.61
Quay	10,000.00	34,514.33	44,514.33
Rio Arriba	6,534.80	16,145.67	22,689.47
Roosevelt		23,930.17	23,930.17
Sandoval	2,310.00	11,375.39	13,685.39
San Juan	1,250.00	11,252.79	12,502.79
San Miguel	6,000.00	49,449.63	55,449.63
Santa Fe		24,975.88	24,975.88
Sierra	842.64	15,384.43	16,227.07
Socorro	6,250.90	38,687.82	44,937.82
Taos	1,090.00	12,417.14	13,507.14
Torrance	5,543.90	27,802.72	33,346.62
Union	2,722.12	44,527.18	47,249.30
Valencia	18,969.79	40,406.23	59,376.02
	<hr/>	<hr/>	<hr/>
	\$ 130,392.20	\$988,701.19	\$1,119,093.39
Federal Government			\$ 367,812.13
Auto Licenses			175,797.47
Taxes, 1 mill and delinquent			530,626.89
Miscellaneous			17,417.78
County Forms			5.00
1913 Highway Bonds			1,937.11
1919 Debentures			390,000.00
Farmington-Bernalillo-Albuquerque Road			55,574.92
General Roads			2,645.26
Federal Trucks			33,000.00
	<hr/>	<hr/>	<hr/>
Note: * should be shown in red.			\$2,947,866.72

REPORT OF THE NEW MEXICO

Expenditures as follows.

	Construct.	Mainten.	
Bernalillo .. .	\$ 145,691.60	\$ 9,209.27	\$ 154,900.87
Chaves .. .	129,983.76	16,817.04	145,900.80
Colfax .. .	232,407.22	26,937.19	259,344.41
Curry .. .	1,373.15	6,138.26	7,511.41
DeBaca .. .	1,353.46	4,467.54	5,821.00
Dona Ana .. .	247,024.99	12,910.69	259,935.68
Eddy .. .	4,561.60	7,530.73	12,092.33
Grant .. .	34,410.30	13,737.62	48,147.92
Guadalupe .. .	3,426.68	21,231.04	24,657.72
Hidalgo .. .	756.19	5,655.02	6,411.21
Lea .. .	49,902.30	2,775.86	52,678.16
Lincoln .. .	124,160.47	8,325.37	132,485.84
Luna .. .	42,011.29	5,312.97	47,324.26
McKinley .. .	2,281.13	4,987.42	7,268.55
Mora .. .	23,073.62	10,374.93	33,448.55
Otero .. .	3,820.13	5,120.99	8,941.12
Quay .. .	127,536.89	6,011.21	133,548.01
Rio Arriba .. .	10,520.89	6,173.43	16,694.32
Roosevelt .. .	2,137.18	3,996.35	6,133.53
Sandoval .. .	4,772.81	4,616.78	9,389.59
San Juan .. .	2,156.43	886.47	3,042.90
San Miguel .. .	15,814.05	15,823.45	31,637.50
Santa Fe .. .	87,292.99	7,218.30	94,511.29
Sierra .. .	13,923.58	6,633.67	20,557.25
Socorro .. .	38,872.03	9,410.23	48,282.26
Taos .. .	6,211.73	3,246.01	9,457.74
Torrance .. .	16,647.63	6,610.99	23,258.62
Union .. .	2,066.33	7,881.96	9,948.29
Valencia .. .	77,315.52	20,890.48	98,206.00
	<hr/>	<hr/>	<hr/>
	\$1,450,605.86	\$269,931.27	\$1,711,537.13
Farmington-Bernalillo-Albuquerque Road .. .	\$ 47,360.71		
Highway Commission .. .	1,989.85		
Office Expense .. .	13,307.40		
Office Engineering .. .	15,963.10		
1913 Highway Bonds and Interest .. .	38,000.00		
Federal Equipment .. .	36,117.07		
General Equipment .. .	22,821.59		
Travel Expense .. .	5,418.84		
District Offices .. .	37,155.02		
1919 Debentures Int. .. .	28,023.10	\$1,957,693.81	
	<hr/>	<hr/>	<hr/>
Balance on hand October 31, 1920.....			\$ 990,172.91

The receipts for the first year as enumerated opposite the various counties are moneys supplied by these individual counties from their county funds for State Aid road construction and maintenance and are not taxes collected under the 1½ or 3 mill road levies. The same kind of receipts are shown in second year as "County Aid".

The division of expenditures as to construction and maintenance is made in accordance with request. However, it should be borne in mind that it is a very hard matter to discriminate between betterments and construction or to know just where the line should be drawn between these items. It may be possible that we have included under the construction items more road work which should have been noted as maintenance.

The balance on October 31st, 1920, includes:

State Road Fund.....	\$982,238.00
Farmington-Bernalillo-Albuquerque	7,934.91

APPENDIX XXVI.

SOME COMPARISONS AS TO ASSESSED VALUATIONS
IN NEW MEXICO.

	1915	1916	1917
Tax Roll	\$307,727,417	\$312,644,252	\$339,759,197
Per Cent Increase.....	..... 1.6.....	..... 8.7.....	
Per Cent Decrease.....	.....	.....
Mine Output	10,419,703	17,248,630	17,662,492
Per Cent Increase.....	..... 65.5.....	..... 2.4.....	
Per Cent Decrease.....	.....	.....
Private Car Co.s .....	.....	.....	1,439,517
Per Cent Increase.....	.....	.....
Per Cent Decrease.....	.....	.....
Total Valuation	\$318,147,120	\$329,892,882	\$358,861,206
Per Cent Increase.....	.....	.....
Per Cent Decrease.....	..... 3.7.....	..... 8.8.....	
Property assessed by counties	\$210,227,897	\$209,199,702	\$234,350,955
Per Cent Increase.....	.....	.....	12.2.....
Per Cent Decrease.....	..... 0.5.....	.....
Corporations assessed by Tax Commission	107,919,223	120,693,180	124,510,251
Per Cent Increase.....	..... 11.9.....	..... 3.1.....	
Per Cent Decrease.....	.....	.....
Railroads	95,995,400	96,233,943	97,488,371
Per Cent Increase.....	..... 2.5.....	..... 1.3.....	
Per Cent Decrease.....	.....	.....
Tel. and Tel.	1,504,120	1,531,892	1,538,794
Per Cent Increase.....	..... 1.2.....	..... 0.4.....	
Per Cent Decrease.....	.....	.....
Banks	5,378,980	5,678,715	6,381,077
Per Cent Increase.....	..... 5.6.....	..... 12.4.....	
Per Cent Decrease.....	.....	.....

	1918	1919	1920
Tax Roll	\$359,615,177	\$360,369,084	\$.....
Per Cent Increase.....	5.8.....	0.2.....	.....
Per Cent Decrease.....	.....	.....	.....
Mine Output	13,279,164	15,382,545	\$.....
Per Cent Increase.....	.....	15.8.....	.....
Per Cent Decrease.....	24.8.....	.....	.....
Private Car Co.s	2,315,540	1,515,089	\$.....
Per Cent Increase.....	60.8.....	.....	.....
Per Cent Decrease.....	.....	34.6.....	.....
Total Valuation	\$375,209,881	\$377,266,718	\$.....
Per Cent Decrease.....	.....	.....	.....
Per Cent Decrease.....	4.5.....	0.5.....	.....
Property assessed by counties	\$251,515,961	\$251,419,016	\$.....
Per Cent Increase.....	7.3.....	.....	.....
Per Cent Decrease.....	.....	.....	.....
Corporations assessed by Tax Commission	123,693,920	125,847,702	\$.....
Per Cent Increase.....	.....	1.7.....	.....
Per Cent Decrease.....	0.7.....	.....	.....
Railroads	98,617,734	98,334,357	101,319,796
Per Cent Increase.....	1.2.....	.....	3.1.....
Per Cent Decrease.....	.....	0.3.....	.....
Tel. and Tel.	1,792,293	1,900,212	2,171,895
Per Cent Increase.....	16.4.....	6.1.....	14.3.....
Per Cent Decrease.....	.....	.....	.....
Banks	7,689,189	8,715,499	9,220,591
Per Cent Increase.....	20.5.....	13.5.....	5.8.....
Per Cent Decrease.....	.....	.....	.....

APPENDIX XXVII.

COUNTY VALUATIONS BY YEARS.

(Not including value of net output.)

	1915	1916	1917
Bernalillo	\$ 18,298,352	\$ 18,351,854	\$ 20,910,143
Chaves	21,632,250	23,762,930	19,787,570
Colfax	24,375,340	24,679,031	25,367,379
Curry	9,043,515	9,287,860	9,950,410
DeBaca			6,120,823
Dona Ana	22,664,518	18,172,296	18,634,357
Eddy	11,665,515	11,261,507	8,758,465
Grant	23,240,295	24,517,549	27,557,141
Guadalupe	12,487,796	13,120,852	10,956,800
Lea			6,375,655
Lincoln	8,003,221	8,310,957	9,289,176
Luna	11,411,030	11,458,263	12,467,472
McKinley	9,854,808	9,381,853	10,398,618
Mora	8,029,860	9,092,470	9,713,346
Otero	9,286,601	9,110,295	9,560,322
Quay	9,993,800	10,535,199	12,307,524
Rio Arriba	6,190,240	6,191,010	7,741,224
Roosevelt	8,575,033	8,195,312	8,863,478
Sandoval	4,927,022	4,960,686	5,084,004
San Juna	4,782,625	4,214,870	4,383,984
San Miguel	17,807,911	19,616,834	21,040,390
Santa Fe	9,528,087	9,545,131	10,302,349
Sierra	5,450,653	5,816,804	5,933,281
Socorro	14,361,269	14,391,614	15,781,739
Taos	3,963,711	4,295,263	4,893,783
Torrance	8,058,763	8,508,839	9,037,750
Union	11,012,078	11,471,884	13,071,236
Valencia	15,186,700	14,393,089	15,470,778
	<hr/>	<hr/>	<hr/>
	\$307,727,417	\$312,644,252	\$339,759,197

COUNTY VALUATIONS BY YEARS.

(Continued.)

	1918	1919
Bernalillo	\$ 20,959,769	\$ 20,976,234
Chaves	20,955,070	19,493,115
Colfax	26,370,292	27,424,453
Curry	10,516,470	10,667,085
DeBaca	6,993,841	6,235,804
Dona Ana	18,493,102	17,859,218
Eddy	9,867,990	10,280,915
Grant	29,489,430	30,518,007
Guadalupe	11,025,435	10,063,527
Lea	7,023,425	6,778,870
Lincoln	10,173,525	9,758,029
Luna	12,852,530	13,517,561
McKinley	10,823,180	10,474,438
Mora	10,064,933	11,066,969
Otero	10,615,402	10,845,862
Quay	13,077,136	12,853,372
Rio Arriba	8,003,267	7,321,588
Roosevelt	9,213,531	8,407,448
Sandoval	5,979,664	5,265,208
San Juan	4,468,339	4,504,605
San Miguel	21,211,832	21,070,335
Santa Fe	10,872,929	11,184,826
Sierra	5,814,615	5,938,562
Socorro	18,387,973	18,481,432
Taos	5,136,835	5,485,141
Torrance	10,111,170	9,996,593
Union	16,018,961	17,316,560
Valencia	15,094,516	16,583,327
	<hr/> \$359,615,177	<hr/> \$360,369,084

APPENDIX XXVIII.

COMPARATIVE STATEMENT OF ASSESSED VALUATION

(Including Net Value of Output of Mines.)

County	1918	1919	Increase	Decrease
Bernalillo	\$ 20,959,769	\$ 20,976,234	\$ 16,465	\$.....
Chaves	20,955,070	19,493,115	.....	1,461,955
Colfax	29,710,087	29,901,647	191,560	.....
Curry	10,516,470	10,667,085	159,615	.....
De Baca	6,993,841	6,235,804	.....	758,037
Dona Ana	18,493,102	17,859,360	.....	633,742
Eddy	9,867,990	10,280,915	412,925	.....
Grant	38,788,876	42,494,214	3,705,338	.....
Guadalupe	11,025,435	10,063,527	.....	961,908
Hidalgo .....	.....	318,568	318,568	.....
Lea	7,023,425	6,778,870	.....	244,555
Lincoln	10,173,535	9,758,029	.....	415,596
Luna	12,852,530	13,517,561	665,031	.....
McKinley	11,131,915	10,713,203	.....	418,712
Mora	10,064,933	11,066,969	1,002,036	.....
Otero	10,635,039	10,845,862	210,823	.....
Quay	13,977,136	12,853,372	.....	223,764
Rio Arriba	8,008,593	7,321,598	.....	686,995
Roosevelt	9,213,531	8,407,448	.....	806,083
Sandoval	5,979,664	5,265,208	.....	714,456
San Juan	4,470,288	4,505,347	35,059	.....
San Miguel	21,211,832	21,070,335	.....	141,497
Santa Fe	10,945,341	11,296,525	351,184	.....
Sierra	5,814,615	5,942,530	127,915	.....
Socorro	18,616,609	18,767,682	151,073	.....
Taos	5,136,835	5,485,141	348,306	.....
Torrance	10,114,403	9,965,593	.....	148,810
Union	16,018,961	17,316,560	1,297,599	.....
Valencia	15,094,516	16,583,327	1,488,811	.....
Total Counties	\$372,894,341	\$375,751,629	\$19,473,308	\$7,616,020
Private Car Co's.	2,315,540	1,515,089	.....	800,451
Total Incr. or Decr. ....	.....	.....	\$10,473,308	\$8,416,471
Total for State.....	\$375,209,881	\$377,266,718	.....	.....
Net Increase .....	.....	.....	.....	\$2,056,837

APPENDIX XXIX.

TABLE SHOWING GROSS ASSESSED VALUE, EXEMPTIONS AND NET ASSESSED VALUE OF ALL COUNTIES IN NEW MEXICO FOR THE YEAR 1919.

Name of Counties	Gross	Exempt.	Net
Bernalillo ..	\$ 21,674,304	\$ 698,070	\$ 20,976,234
Chaves ..	19,794,135	301,020	19,493,115
Colfax ..	30,247,622	345,975	29,901,647
Curry ..	11,015,935	248,850	10,767,085
De Baca ..	6,342,012	106,208	6,235,804
Dona Ana ..	18,118,939	359,579	17,859,360
Eddy ..	10,428,495	147,580	10,280,915
Grant ..	42,751,154	256,910	42,494,214
Guadalupe ..	10,221,921	158,394	10,063,527
Hidalgo (mine output) ..	318,568		318,568
Lea ..	6,943,588	164,718	6,778,870
Lincoln ..	9,874,164	116,135	9,758,029
Luna ..	13,669,251	151,690	13,517,561
McKinley ..	10,827,403	114,290	10,713,203
Mora ..	11,491,570	424,601	11,066,969
Otero ..	11,100,323	254,461	10,845,462
Quay ..	13,192,772	339,400	12,853,372
Rio Arriba ..	7,587,496	265,898	7,321,598
Roosevelt ..	8,681,949	274,501	8,407,448
Sandoval ..	5,452,493	187,285	5,265,208
San Juan ..	4,732,494	227,147	4,505,347
Santa Fe ..	11,799,775	593,250	11,296,525
San Miguel ..	21,524,887	454,552	21,070,335
Sierra ..	6,130,734	188,204	5,942,530
Socorro ..	19,024,282	256,600	18,767,682
Taos ..	5,809,141	324,000	5,485,141
Torrance ..	10,252,806	287,213	9,965,593
Union ..	17,770,686	454,126	17,316,560
Valencia ..	16,813,121	229,794	16,583,327
Total all counties ..	\$383,592,020	\$7,840,391	\$375,751,629
Private Car, (not distributed) ..	1,515,089		1,515,089
Grand Total ..	\$385,107,109	\$7,840,391	\$377,266,718

APPENDIX XXX.

VALUATION OF PROPERTY SUBJECT TO TAX**State Tax Rate and Its Production.**

1910.....	\$ 58,313,126	.....	.....
1911.....	60,048,881	.....	.....
1912.....	72,457,454	.0135	\$ 978,175.63
1913.....	84,086,518	.0136	1,143,576.64
1914.....	89,203,939	.0116	1,034,765.69
1915.....	318,147,120	.00395	1,256,681.12
1916.....	329,892,882	.00365	1,204,109.02
1917.....	358,861,206	.00540	1,937,850.51
1918.....	375,209,881	.00525	1,969,831.87
1919.....	377,266,718	.00575	2,169,283.63

Note:—It should be kept in mind that prior to 1915 assessment was at one-third full value. This was true of 1913 and 1914 by law and for previous years apparently by common consent. For comparative purposes therefore, we must multiply assessment for 1912 by three and take one-third of tax rate for the same year and we reach the conclusion that the property subject to tax has increased from \$217,372,362 in 1912 to \$377,266,718 in 1919, or 74 per cent; the state tax rate has increased in the same period from .0045 to .00575 or 28 per cent; and the product of the state tax has increased from \$978,175.63 in 1912 to \$2,173,010.39 or 122 per cent. If the three mill road tax be counted as a state tax, the rate would show an increase of 95 per cent and the product an increase of 238 per cent. This table has no reference to other than the state tax rate and its production on the basis of 100 per cent collection.

APPENDIX XXXI.

ASSESSED VALUATION OF PROPERTY IN NEW MEXICO SHOWING TOTALS FOR CLASSES.

	1911	%	1913	%	1915	%	1917	%	1919
Town real estate and improvements.....	\$11,702,298	18.14	36,030,078	13.90	35,768,249	10.99	38,086,484	10.32	39,163,763
Merchandise ".....	2,933,620	4.55	8,300,169	3.21	11,487,829	3.53	10,986,352	3.00	16,151,141
Agricultural lands and improvements.....	9,015,756	13.97	36,890,535	14.28	36,246,315	11.13	39,529,275	10.80	37,758,991
Horses, mules and burros.....	1,691,278	2.62	6,143,472	2.38	6,895,499	2.12	7,995,964	2.18	7,435,617
Cattle ".....	3,478,473	5.39	18,485,757	7.14	32,036,312	9.84	45,609,800	12.45	42,370,296
Sheep and goats.....	2,452,381	3.81	7,650,834	2.96	10,320,544	3.17	11,066,067	3.03	10,767,158
Grazing land and improvements.....	9,414,980	14.58	28,450,056	11.01	53,292,333	16.37	61,165,097	16.70	62,985,046
Timber lands and improvements.....	333,856	0.59	1,592,994	0.62	2,041,041	0.63	2,238,742	0.62	768,154
Mines, mineral lands and improvements.....	2,146,797	3.33	10,832,304	4.19	17,089,385	5.25	25,412,812	6.94	30,682,257
Automobiles and motor cycles.....	.....	.....	338,166	0.13	1,146,233	0.35	2,473,798	0.68	5,078,802
Money, notes, stocks, bonds, etc.	103,506	0.12	925,013	0.36	1,359,352	0.42	1,375,052	0.38	992,808
Railroads ".....	15,680,091	24.30	84,830,469	32.83	95,797,268	29.42	96,893,330	26.46	98,237,115
Telegraph and telephone	284,839	0.44	1,165,140	0.45	1,480,218	0.46	1,538,334	0.42	1,904,466
Private car lines .....	.....	.....	.....	.....	686,318	0.20	1,485,142	0.41	1,523,845
Electric railway and transp. companies	1,427,752	2.21	5,457,546	2.12	5,365,515	1.60	6,381,073	1.74	137,606
Bank and trust companies	416,310	0.64	1,736,809	0.67	1,899,523	0.58	1,629,412	0.59	8,421,972
Electric light and water plants.....	28,907	0.04	123,540	0.05	211,547	0.06	304,358	0.09	1,277,570
Manufacturing plants	133,558	0.27	321,612	0.13	525,603	0.16	886,883	0.25	1,210,865
Hay, grain, wool, cut lumber.....	9,660	0.01	195,834	0.08	318,132	0.09	365,664	0.10	504,541
Household furn. and personal effects.....	1,219,593	1.89	3,174,429	1.23	3,863,961	1.11	3,393,333	0.91	4,221,226
Store and office furn. and equipment.....	206,213	0.32	634,662	0.25	757,549	0.23	1,390,921	0.38	1,568,456
Unclassified property	1,826,697	2.83	5,183,811	2.01	5,350,821	1.64	4,160,804	1.20	7,714,725
Penalties .....	.....	.....	.....	.....	1,820,542	0.57	1,694,287	0.44	3,972,608
Total valuation of property	\$64,506,560	100.	\$258,426,060	100.	\$325,714,618	109.	\$366,312,524	100.	\$385,107,109
Exemptions	4,457,679	.....	6,166,506	.....	7,567,498	.....	7,810,498	.....	7,840,391
Amount subject to tax	\$60,048,881	.....	\$252,259,506	.....	\$318,147,120	.....	\$358,502,026	.....	\$377,266,718

The valuation shown for 1911 was presumably a full value but was perhaps less than one-third. For 1913, tax levies by law were based upon one-third of the assessment shown above for that year.

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APPENDIX XXXII.

STATE AND COUNTY TAX LEVIES
GENERAL PROPERTY.

(From Assessors' Tax Rolls.)

Counties	Levy	Amount	1915	1916
Bernalillo .....	.01483	\$ 271,281.68	.01376	\$ 252,365.57
Chaves .....	.01180	255,263.94	.01135	261,434.14
Colfax .....	.01015	247,409.53	.00917	226,306.77
Curry .....	.011875	107,391.70	.01017	94,557.52
De Baca				
Dona Ana .....	.01035	193,821.27	.01040	188,993.01
Eddy .....	.01569	181,980.14	.01435	161,519.43
Grant .....	.00930	216,144.73	.00818	200,553.63
Guadalupe .....	.01114	139,114.04	.01124	147,481.01
Lea				
Lincoln .....	.01150	92,043.50	.01338	111,298.18
Luna .....	.01085	123,809.96	.01122	128,562.04
McKinley .....	.00822	81,011.39	.00858	80,520.27
Mora .....	.01170	93,949.80	.01130	103,151.86
Otero .....	.01320	122,583.12	.01330	121,161.90
Quay .....	.012768	127,601.94	.01302	137,256.77
Rio Arriba .....	.01220	75,529.97	.01235	70,267.96
Roosevelt .....	.01140	97,763.34	.01280	104,899.99
Sandoval .....	.01278	61,765.65	.009125	45,266.25
San Juan .....	.01483	70,942.63	.01488	62,834.30
San Miguel .....	.01185	211,058.25	.01100	215,820.76
Santa Fe .....	.01470	140,149.93	.01470	140,314.35
Sierra .....	.011864	64,666.58	.01107	64,392.11
Socorro .....	.01312	188,419.84	.01199	172,555.41
Taos .....	.012375	49,050.78	.0122885	52,757.74
Torrance .....	.01059	85,342.30	.01015	86,364.72
Union .....	.01275	140,403.98	.01263	144,938.77
Valencia010618	161,292.59	.01053	151,559.23
Totals		\$3,598,882.68		\$3,527,233.69
% Increase				2.0.....
% Increase				

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Counties	1917		1918	
	Levy	Amount	Levy	Amount
Bernalillo01600	\$ 349,528.97	.01750	\$ 366,694.94
Chaves .....	.01300	277,025.99	.01462	306,365.44
Colfax .....	.01420	360,216.73	.01368	360,745.60
Curry .....	.01675	166,669.36	.01601	113,157.29
De Baca .....	.01948	119,233.63	.01715	119,944.38
Dona Ana .....	.01490	277,653.57	.01578	291,819.84
Eddy .....	.01715	150,205.95	.01715	169,228.65
Grant .....	.01060	292,105.69	.01191	196,399.61
Guadalupe .....	.01720	188,366.10	.01700	187,431.79
Lea .....	.01750	111,573.96	.01763	123,822.99
Lincoln .....	.01530	142,124.41	.01582	160,945.41
Luna .....	.01460	182,023.51	.01617	207,825.37
McKinley .....	.01080	112,395.40	.01172	126,844.55
Mora .....	.01351	131,227.25	.01383	139,197.99
Otero .....	.01446	138,452.93	.01563	165,918.99
Quay .....	.01674	206,027.96	.01651	125,903.52
Rio Arriba .....	.01715	132,761.98	.01742	139,416.91
Roosevelt .....	.01590	140,861.14	.01593	146,771.52
Sandoval .....	.01480	75,243.26	.01360	81,323.44
San Juan .....	.01840	78,274.95	.01965	87,802.86
San Miguel .....	.015405	324,136.39	.01560	330,919.18
Santa Fe .....	.01905	196,413.53	.01893	205,824.54
Sierra .....	.01390	82,472.60	.01452	84,428.13
Socorro .....	.01617	255,190.71	.01500	275,819.60
Taos .....	.01774	86,815.71	.01725	88,610.40
Torrance .....	.01457	131,680.00	.01370	138,523.03
Union .....	.01648	215,413.96	.01484	237,721.38
Valencia .....	.01216	188,124.57	.01201	181,285.13
Totals		\$5,193,130.21		\$5,250,692.39
% Increase		44.6.....		3.0.....
% Decrease.				

**STATE AND COUNTY TAX LEVIES.
GENERAL PROPERTY (Continued).**

Counties—	Levy	Amount
1919		
Bernalillo .....	.02515	\$527,553.91
Chaves .....	.02109	409,370.73
Colfax .....	.01895	519,693.39
Curry .....	.2585	275,744.12
De Baca .....	.022415	159,775.53
Dona Ana .....	.02200	392,902.81
Eddy .....	.02220	228,236.25
Grant .....	.01784	544,441.24
Guadalupe .....	.01999	201,169.91
Lea .....	.02528	171,369.82
Lincoln .....	.02224	216,992.63
Luna .....	.01961	265,179.36
McKinley .....	.01995	207,576.27
Mora .....	.02010	220,446.02
Otero .....	.02464	267,241.83
Quay .....	.02595	333,544.99
Rio Arriba .....	.024225	177,365.49
Roosevelt .....	.02315	194,633.67
Sandoval .....	.01775	93,457.42
San Juan .....	.03005	135,363.36
San Miguel .....	.02325	489,899.05
Santa Fe .....	.02300	257,251.00
Sierra .....	.01667	98,988.76
Socorro .....	.02125	392,739.45
Taos .....	.02175	119,301.82
Torrance .....	.02521	251,232.60
Union02125	367,976.90
Valencia01774	294,188.27
Totals		\$7,813,627.60

Per cent increase, 49.0.

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PRODUCTION FROM SPECIAL SCHOOL DISTRICT LEVIES FOR YEARS 1914-1919.

	1914	1915	1916	1917	1918	1919	Totals
Bernalillo	\$88,980.30	\$24,678.74	\$34,889.57	\$36,785.00	\$34,164.63	\$35,831.72	\$254,429.96
Chaves	92,267.39	16,068.27	21,225.08	34,690.49	31,329.19	57,789.39	253,369.72
Colfax	73,431.91	15,362.56	23,778.61	28,295.52	36,893.68	42,136.42	219,898.70
Curry	36,225.58	3,494.35	15,558.42	26,850.85	29,779.14	41,050.38	152,958.82
De Baca	.....	.....	10,495.27	8,307.27	11,043.24	29,845.78	.....
Dona Ana	48,247.48	18,972.54	24,017.84	52,335.32	32,304.19	28,145.61	204,022.98
Eddy	65,982.79	12,221.70	20,541.31	25,131.29	19,046.18	19,669.58	162,592.85
Grant	39,574.94	15,992.94	15,991.67	22,363.54	9,206.82	15,842.99	118,972.90
Guadalupe	32,753.20	4,494.14	14,101.72	8,616.83	7,841.89	8,814.62	76,622.40
Lea	.....	.....	3,672.02	5,243.04	14,911.28	23,826.34	.....
Lincoln	28,116.33	17,048.87	19,229.46	16,271.37	16,341.80	19,493.01	116,509.84
Luna	28,512.48	2,968.07	3,335.41	9,147.20	5,336.57	10,094.08	59,393.81
McKinley	7,628.15	7,747.85	6,143.20	8,514.88	8,744.39	8,003.84	46,762.31
Mora	21,313.03	1,727.58	3,510.70	8,350.41	10,125.28	13,564.06	58,591.06
Otero	27,711.48	7,324.50	7,651.41	17,411.49	19,940.18	12,946.28	92,985.34
Quay	42,737.65	7,333.30	13,240.31	16,788.00	17,170.00	18,226.51	115,495.77
Rio Arriba	13,194.89	2,172.05	3,014.35	3,045.14	1,698.21	5,334.94	28,458.68
Roosevelt	35,658.55	1,422.30	8,289.61	10,000.29	10,534.95	12,126.53	78,023.23
Sandorai	17,571.37	.....	.....	.....	.....	17,571.37	.....
San Juan	26,389.73	3,683.26	8,232.48	4,496.30	13,150.55	14,344.73	70,297.05
San Miguel	35,038.35	7,161.76	9,151.07	8,181.36	9,358.89	24,894.81	93,786.24
Santa Fe	40,440.51	13,245.68	14,059.96	10,648.25	11,551.04	19,754.81	109,704.25
Sierra	6,424.45	2,770.84	.....	3,128.14	1,424.58	.....	13,748.01
Socorro	22,518.70	10,618.80	11,075.45	7,600.57	11,451.79	18,569.16	81,834.47
Taos	10,836.84	3,496.76	2,684.01	5,575.87	1,076.76	5,290.95	28,961.19
Torrance	20,233.32	6,408.80	12,448.74	11,877.79	11,275.96	13,879.31	76,123.83
Union	41,031.83	6,479.18	12,456.64	18,528.32	20,148.51	28,817.07	127,461.55
Valencia	8,630.52	.....	8,735.65	8,387.41	4,825.28	9,842.49	40,421.35
Totals	\$910,555.75	\$212,894.84	\$313,353.67	\$417,188.93	\$388,250.77	\$510,416.82	\$2,752,620.80

(Note: In 1914 the main sources of revenue was the special school district tax.)

CHINO COPPER COMPANY—ABSTRACT OF TAXES.

1915-1919.

	Acre	Valuation	State Rate	State Tax	County Rate	County Tax	Total Taxes
Mining Lands—Surface	2,412.385	\$ 108,554.00	.00395	\$ 428.79	.00535	\$ 580.76	\$ 1,009.55
Mining Lands—Production	2,412.385	6,846,204.00		27,042.51		36,627.19	63,669.70
Total Mining Lands	2,412.385	6,954,758.00		27,471.30		37,207.95	64,679.25
Agricultural and Grazing Lands	10,633.790	40,179.00		158.71		214.96	373.67
Personal Property		390,000.00		1,540.50		2,086.50	3,627.09
Improvements		3,805,417.00		15,031.39		20,358.99	35,390.38
Miscellaneous, Luna County, etc.	240,009	3,020.00		11.93		23.54	35.47
Grand Total	13,286,175	\$11,193,374.00		\$ 44,213.83		\$ 59,891.94	\$104,105.77
1916—							
Mining Lands—Surface	2,412.385	\$ 7,237.16	.00365	\$ 26.42	.00453	\$ 32.78	\$ 59.20
Mining Lands—Production	2,412.385	12,600,293.00		45,991.07		57,074.92	103,065.99
Total Mining Lands	2,412.385	12,607,530.16		46,017.49		57,107.70	103,125.19
Agricultural and Grazing Lands	13,720,210	49,389.14		180.27		223.73	404.00
Personal Property		430,090.00		1,569.50		1,947.90	3,517.40
Improvements		4,290,864.00		15,661.65		19,437.61	35,099.26
School District No. 4, Special						569.55	569.55
School District No. 6, Special						19.93	19.93
Miscellaneous, Luna County, etc.	240,000	4.09	7.26	11.35
Grand Total	16,372,595	\$17,378,903.00		\$ 63,433.00		\$ 79,312.68	\$142,747.68

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1917—

	Acre	Valuation	State Rate	State Tax	County Rate	County Tax	Total Taxes
Mining Lands—Surface	2,412.385	\$ 7,240.00	.0054	\$ 39.10	.0952	\$ 37.65	\$ 76.50
Mining Lands—Production	2,412.385	11,337,224.00		61,221.01		58,953.56	120,174.57
Total Mining Lands	11,344,464.00			61,260.11		58,991.21	120,251.32
Agricultural and Grazing Lands	17,090.510	58,999.00	318.59	306.79	625.38		
Personal Property		500,000.00	2,700.00	2,600.00	5,300.00		
Improvements		4,947,350.00	26,715.69	25,726.32	52,441.91		
School District No. 2				1,908.63	1,908.63		
School District No. 4				713.66	713.66		
School District No. 6				20.38	20.38		
School District No. 24				73.28	73.28		
Miscellaneous, Luna County, etc.	240,000	720.00	3.89	6.62	10.51		
Grand Total	19,742.895	\$16,851,533.00		\$ 90,998.28		\$ 90,346.79	\$181,345.07

1918—

	Acre	Valuation	State Rate	State Tax	County Rate	County Tax	Total Taxes
Mining Lands—Surface	2,412.385	\$ 7,240.00	.00525	\$ 38.01	.00666	\$ 48.22	\$ 86.23
Mining Lands—Production	2,412.385	7,383,905.00		38,795.50		49,176.81	87,942.31
Total Mining Lands	2,412.385			38,803.51		49,225.93	88,028.54
Agricultural and Grazing Lands	17,170.000	7,391,145.00		311.00	394.53	755.53	
Personal Property		59,239.00		3,675.00	4,662.00	8,337.09	
Improvements		700,000.00		32,895.71	41,730.57	74,626.28	
School District No. 2		6,265,850.00			4,470.46	4,470.46	
School District No. 4					976.82	976.82	
School District No. 24					30.59	30.59	
Miscellaneous, Luna County, etc.	240,000	720.00		3.79	7.85	11.64	
Grand Total	19,822.895	\$14,416,954.00		\$ 75,669.01		\$101,497.85	\$177,186.86

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1919—	Mining Lands—Surface	3,055.412	\$ 9,170.00	.00575	\$ 91,354.15	.01209	\$ 83.36	\$ 163.60
	Mining Lands—Production	3,055.412	10,440.474.00				94,903.91	
	Total Mining Lands	3,055.412	10,449,644.00		91,434.39		94,987.27	186,421.66
	Agricultural and Grazing Lands	17,130.510	59,120.00	517.30	537.40	1,054.70		
	Personal Property		900,000.00	7,875.00	8,181.00	16,056.00		
	Improvements		6,916,850.00	60,522.44	62,874.15	123,396.59		
	School District No. 6				22.70	22.70		
	School District No. 11					13.94	13.94	
	School District No. 17					9.20	9.29	
	Miscellaneous, Luna County, etc.	240,000	720.00	6.29	8.02	14.31		
	Franchise Tax			450.00		450.00		
	Grand Total	20,455.922	\$18,326,334.00		\$116,805.42		\$166,633.68	\$327,439.19

SUMMARY OF THE STATUS OF TAXATION IN THE DIFFERENT STATES.

Assessment of real estate	County Assessors	Permanent State Commission	Inheritance Tax	State Income Tax	Blue Sky Law	Gross Business Tax on Public Service Companies	Ad valorem Tax on Public Service Companies	Corporate Excise Tax on Public Service Companies
Montana.....	annual	yes	yes	yes	no	yes	yes	yes
Nebraska.....	quadrennial	no	yes	yes	no	yes	yes	yes
Nevada.....	annual	yes	yes	yes	no	yes	yes	yes
New Hampshire.....	annual	no	yes	yes	no	yes	yes	yes
New Jersey.....	annual	yes	yes	yes	no	yes	yes	yes
New Mexico.....	annual	yes	yes	yes	yes	yes	yes	yes
New York.....	annual	no	yes	no	yes	no	yes	no
N.C. Carolina.....	quadrennial	.....	yes	yes	yes	yes	yes	yes
N.D. Dakota.....	annual	no	yes	yes	yes	yes	yes	yes
Ohio.....	.....	.....	yes	yes	no	yes	yes	yes
Oklahoma.....	annual	yes	no	yes	yes	yes	yes	yes
Oregon.....	annual	yes	yes	yes	yes	yes	yes	yes
Pennsylvania.....	triennial	.....	no	yes	yes	yes	yes	yes
Rhode Island.....	annual	no	yes	yes	no	no	yes	yes
S.C. Carolina.....	quadrennial	.....	no	yes	yes	yes	yes	yes
S.D. Dakota.....	annual	.....	yes	yes	yes	yes	yes	yes
Tennessee.....	biennial	yes	no	yes	yes	yes	yes	yes
Texas.....	annual	.....	no	yes	yes	no	yes	yes
Utah.....	annual	yes	yes	yes	yes	no	yes	yes
Vermont.....	quadrennial	no	yes	yes	no	yes	yes	yes
Virginia.....	biennial	yes	yes	yes	yes	yes	yes	yes
Washington.....	annual	no	yes	yes	no	yes	yes	yes
W.V. Virginia.....	annual	yes	yes	yes	no	yes	yes	yes
Wisconsin.....	annual	.....	no	yes	yes	no	yes	yes
Wyoming.....	annual	.....	yes	yes	yes	yes	yes	yes

APPENDIX XXXVI.

TOTAL ASSESSMENT OF THE PROPERTY OF CERTAIN LEADING MINING COMPANIES.**1914**

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	108,557	3,798,929	3,907,486
85 Mining Co.	920	19,800	20,730
Empire Zinc Co.	7,620	4,459	12,070
Phelps Dodge Corp.	73,577	117,483	191,060
Total County	190,684	3,940,662	4,131,346
Socorro County:			
Ozark S. & R. Co.	7,790	114,024	121,814
Empire Zinc Co.	20,315	31,159	51,474
Mogollon Mines Co.	4,800	1,200	6,000
Socorro M. & M. Co.	10,796	261,343	272,139
Total Precious Mineral	234,385	4,348,388	4,582,773
Carthage Fuel Co.	10,890	9,120	19,920
Total County	54,501	416,846	471,347
McKinley County:			
Diamond Coal Co.	35,200	48,294	83,494
Gallup S. W. Coal Co.	4,500	1,110	5,610
Gallup Amer. Coal Co. (Victor)	118,800	189,285	308,085
Total County	158,500	238,689	397,189
Colfax County:			
St. Louis R. M. & Pac. Co.	690,247	1,241,480	1,931,727
Stag Cañon Fuel Co.	383,333	1,109,196	1,492,529
Total County	1,073,580	2,350,676	3,424,256
Total Coal	1,242,880	\$ 2,598,485	\$ 3,841,365
GRAND TOTAL	1,477,265	6,946,873	8,424,138

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	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	6,846,294	\$ 4,518,590	\$11,364,794
85 Mining Co.	183,689	45,970	229,659
Empire Zinc Co.	358,233	44,050	402,283
Phelps Dodge Corp.	17,152	291,000	308,152
Total County	7,405,278	4,899,610	12,304,888
Socorro County:			
Ozark S. & R. Co.	575,872	72,780	648,652
Empire Zinc Co.	99,660	42,050	141,710
Mogollon Mines Co.	130,485	290,000	330,485
Socorro M. & M. Co.	180,154	290,000	380,154
Total Precious Mineral	8,391,449	5,414,440	13,805,889
Carthage Fuel Co.	8,387	18,250	26,637
Total County	994,558	533,080	1,527,638
McKinley County:			
Diamond Coal Co.	65,962	53,650	119,612
Gallup S. W. Coal Co.	27,978	3,850	31,828
Gallup Amer. Coal Co. (Victor)	89,978	177,977	267,955
Total County	183,918	235,477	419,395
Colfax County:			
St. Louis R. M. & Pac. Co.	721,950	2,121,052	2,843,002
Stag Cañon Fuel Co.	425,780	1,547,972	1,973,752
Total County	147,730	3,669,024	4,816,754
Total Coal	1,340,035	3,922,751	5,262,786
GRAND TOTAL	9,731,484	9,337,191	19,068,675

1916

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	12,600,293	\$ 4,953,690	\$17,553,983
85 Mining Co.	566,613	55,100	621,713
Empire Zinc Co.	471,602	216,830	588,432
Phelps Dodge Corp.	639,056	670,960	1,310,016
Total County	14,277,564	5,896,580	20,174,144
Socorro County:			
Ozark S. & R. Co.	279,979	87,723	367,702
Empire Zinc Co.	218,691	42,726	261,417
Mogollon Mines Co.	70,099	150,000	220,009
Socorro M. & M. Co.	183,725	166,281	350,006
Total Precious Mineral	15,029,968	6,343,310	21,373,278
Carthage Fuel Co.	7,726	18,023	25,749
Total County	760,130	464,753	1,224,883
McKinley County:			
Diamond Coal Co.	53,698	56,742	110,430
Gallup S. W. Coal Co.	18,338	4,162	22,500
Gallup Amer. Coal Co. (Victor)	53,538	176,213	229,751
Total County	125,574	237,117	362,681
Colfax County:			
St. Louis R. M. & Pac. Co.	734,035	2,161,226	2,895,261
Stag Cañon Fuel Co.	410,918	1,591,365	1,992,283
Total County	1,144,953	3,742,591	4,887,544
Total Coal	1,278,253	3,997,731	5,275,974
GRAND TOTAL	16,308,221	\$10,341,041	\$26,649,252

1917

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	11,837,224	\$ 5,734,744	\$17,071,964
85 Mining Co.	341,725	72,420	414,145
Empire Zinc Co.	252,267	279,670	531,937
Phelps Dodge Corp.	1,637,223	1,304,840	2,942,063
Total County	13,568,439	7,391,674	20,960,113
Socorro County:			
Ozark S. & R. Co.	287,165	28,087	315,252
Empire Zinc Co.	151,809	42,835	194,644
Mogollon Mines Co.	71,185	150,030	221,215
Socorro M. & M. Co.	50,181	169,790	219,971
Total Precious Mineral	14,128,779	7,782,416	21,913,195
Carthage Fuel Co.	22,405	26,945	49,350
Total County	582,745	417,687	1,009,432
McKinley County:			
Diamond Coal Co.	85,473	60,042	145,515
Gallup S. W. Coal Co.	25,432	4,306	29,738
Gallup Amer. Coal Co. (Victor) ....	.....	172,757	172,757
Total County	110,905	237,105	348,010
Colfax County:			
St. Louis R. M. & Pac. Co.	1,426,085	2,200,617	3,626,702
Stag Cañon Fuel Co.	914,245	1,638,432	2,552,677
Total County	2,340,330	3,839,049	6,179,379
Total Coal	2,473,640	4,103,099	6,576,739
GRAND TOTAL	16,602,419	\$11,885,515	\$28,487,934

SPECIAL REVENUE COMMISSION

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1918

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	7,383,905	\$ 7,032,329	\$14,416,234
85 Mining Co.	16,751	101,090	117,841
Empire Zinc Co.	196,603	279,070	475,673
Phelps Dodge Corp.	1,386,584	1,550,470	2,917,054
Total County	8,983,843	8,942,959	17,926,802
Socorro County:			
Ozark S. & R. Co.	139,980	113,807	253,787
Empire Zinc Co.		38,020	38,920
Mogollon Mines Co.		151,000	151,000
Socorro M. & M. Co.		164,460	164,460
Total Precious Mineral	9,123,823	9,140,246	18,534,069
Carthage Fuel Co.	27,737	27,935	55,672
Total County	167,717	495,222	662,939
McKinley County:			
Diamond Coal Co.	156,009	71,953	227,962
Gallup S. W. Coal Co.	65,435	3,850	69,285
Gallup Amer. Coal Co. (Victor)	118,470	416,412	534,882
Total County	339,914	492,215	832,129
Colfax County:			
St. Louis R. M. & Pac. Co.	1,810,465	2,370,904	4,181,369
Stag Cañon Fuel Co.	1,391,923	1,762,981	3,154,004
Total County	3,202,388	4,132,985	7,335,373
Total Coal	3,570,039	4,653,135	8,223,174
GRAND TOTAL	12,693,862	\$14,063,381	\$26,757,243

REPORT OF THE NEW MEXICO

1919

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	10,440,474	\$ 7,885,140	\$18,325,614
85 Mining Co.	308,363	194,470	502,833
Empire Zinc Co.	250,767	309,120	559,887
Phelps Dodge Corp.	1,220,955	1,705,790	2,926,745
Total County	12,220,559	10,094,529	22,315,079
Socorro County:			
Ozark S. & R. Co.	40,734	98,280	139,014
Empire Zinc Co.	3,892	32,735	36,627
Mogollon Mines Co.	68,096	164,075	232,171
Socorro M. & M. Co.	66,767	179,765	246,532
Total Precious Mineral	12,400,048	10,569,375	22,969,423
Carthage Fuel Co.	16,722	23,535	40,257
Total County	196,211	498,390	694,601
McKinley County:			
Diamond Coal Co.	167,118	155,015	322,133
Gallup S. W. Coal Co.	31,217	3,850	35,067
Gallup Amer. Coal Co. (Victor)	252,302	495,175	747,477
Total County	459,637	654,040	1,104,677
Colfax County:			
St. Louis R. M. & Pac. Co.	1,323,531	2,580,359	3,903,890
Stag Cañon Fuel Co.	928,672	1,820,373	2,749,045
Total County	2,252,203	4,400,732	6,652,935
Total Coal	2,719,562	5,078,307	7,797,869
GRAND TOTAL	15,119,610	\$15,647,682	\$30,767,292

AVERAGE 1915-1919 Incl.

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	9,721,620	\$ 5,923,082	\$15,644,702
85 Mining Co.	283,428	93,810	377,238
Empire Zinc Co.	305,894	225,758	531,652
Phelps Dodge Corp.	980,194	1,100,612	2,080,806
Total County	11,291,136	7,445,068	18,736,204
Socorro County:			
Ozark S. & R. Co.	264,746	80,135	344,881
Empire Zinc Co.	94,800	39,673	135,473
Mogollon Mines Co.	67,955	163,021	230,976
Socorro M. & M. Co.	96,165	176,059	272,224
Total Precious Mineral	11,814,802	7,903,957	19,718,759
Carthage Fuel Co.	16,595	22,937	39,532
Total County	540,261	481,826	1,022,087
McKinley County:			
Diamond Coal Co.	105,652	79,556	185,208
Gallup S. W. Coal Co.	33,680	4,003	37,683
Gallup Amer. Coal Co. (Victor)	102,857	287,706	390,563
Total County	242,189	371,199	613,379
Colfax County:			
St. Louis R. M. & Pac. Co.	1,203,213	2,286,831	3,490,044
Stag Cañon Fuel Co.	814,307	1,670,044	2,484,352
Total County	2,017,520	3,956,876	5,974,306
Total Coal	2,276,304	4,351,003	6,627,307
GRAND TOTAL	14,091,106	\$12,254,960	\$26,346,066

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INCREASE 1914-1915

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	6,737,647	\$ 719,661	\$ 7,457,308
85 Mining Co.	182,759	26,170	208,929
Empire Zinc Co.	350,613	39,600	390,213
Phelps Dodge Corp.	Dec. 56,425	173,517	117,092
Total County	7,214,594	958,948	8,173,542
Socorro County:			
Ozark S. & R. Co.	568,082	Dec. 41,244	526,838
Empire Zinc Co.	79,345	10,891	90,236
Mogollon Mines Co.	125,685	198,800	324,485
Socorro M. & M. Co.	169,358	Dec. 61,343	108,015
Total Precious Mineral	8,157,064	1,066,050	9,218,288
Carthage Fuel Co.	Dec. 2,413	9,130	6,717
Total County	940,057	116,232	1,056,289
McKinley County:			
Diamond Coal Co.	30,762	5,356	36,118
Gallup S. W. Coal Co.	23,478	2,940	26,418
Gallup Amer. Coal Co. (Victor)	Dec. 28,822	Dec. 11,308	Dec. 40,130
Total County	25,418	Dec. 3,212	22,206
Colfax County:			
St. Louis R. M. & Pac. Co.	31,703	879,572	911,275
Stag Cañon Fuel Co.	42,447	438,776	481,223
Total County	74,150	1,318,848	1,392,998
Total Coal	97,155	1,324,766	1,426,747
GRAND TOTAL	8,254,219	\$ 2,390,816	\$10,645,035

INCREASE 1914 TO AVERAGE 1915-1919 Incl.

	Output	Other Mining Property	All Mining Property
Grant County:			
Chino Copper Co.	9,613,963	\$ 2,124,153	\$11,737,213
85 Mining Co.	282,498	74,010	356,508
Empire Zinc Co.	243,347	221,308	464,655
Phelps Dodge Corp.	1,147,378	983,129	2,130,597
Total County	11,286,286	3,504,406	14,790,692
Socorro County:			
Ozark S. & R. Co.	256,956	Dec 33,889	223,067
Empire Zinc Co.	74,485	8,514	82,999
Mogollon Mines Co.	63,155	161,821	224,976
Socorro M. & M. Co.	85,369	Dec. 85,284	85
Total Precious Mineral	11,766,251	3,555,569	15,321,820
Carthage Fuel Co.	5,795	13,817	19,612
Total County	485,760	64,980	550,740
McKinley County:			
Diamond Coal Co.	70,452	31,262	101,714
Gallup S. W. Coal Co.	29,180	2,893	32,073
Gallup Amer. Coal Co. (Victor)	15,943	98,421	114,364
Total County	115,575	132,501	248,976
Colfax County:			
St. Louis R. M. & Pac. Co.	512,966	1,045,351	1,558,317
Stag Cañon Fuel Co.	545,339	560,848	991,823
Total County	1,058,305	1,606,200	2,664,505
Total Coal	1,179,675	1,752,518	2,932,193
GRAND TOTAL	12,945,926	\$ 5,308,087	\$18,254,013

APPENDIX XXXVII.

RECEIPTS FOR STATE FUNDS SHOWN BY SOURCES
(For the Seventh Fiscal Year Ending Nov. 30, 1919)

Taxes—General Property 1917 and prior.....	\$ 110,731.12
Taxes—General Property 1918	1,629,011.94
Taxes—Cattle Indemnity	73,700.04
Taxes—Sheep Sanitary	50,939.78
Taxes—Disease Eradication	1,943.18
Fines and Penalties—Current School	18,918.94
 Commissioner of Public Lands—	
Income	\$767,367.99
Permanent	213,770.83
Saline	1,778.94
Escheats	1,167.97
Sinking	531.32
Interest	5,912.61
Maintenance Public Lands	174,048.82
Interest Permanent Fund Invest	\$1,164,578.48
Interest on Delinquent Taxes	50,935.75
Secretary of State	39,739.94
Series "B" Int. and sink, Santa Fe Co.	3,449.51
Int. on Bank Deposits—Treasurer	15,000.00
Treasurer's Fees—Insurance	45,977.45
Treasurer United States—	16.00
Agricultural College	\$ 50,000.00
5% U. S. Land Sales CS	1,496.98
10% and 25% U. S. Forest Res.	104,752.54
State Roads	39,739.21
Vocational Education	1,879.46
State Board of Health	3,558.70
State Engineer	201,426.89
Sale Certificates Indebtedness	3,104.37
Premium and Interest Accrued	95,000.09
Council of Defense	2,459.98
Superintendent Penitentiary	38,872.26
State Engineer and State Highway Engineer.....	26,298.14
Auto Licenses	332,219.83
Levy Road Emergency	62,671.39
Fines	7,361.83
Corporation Commission Fees	25.00
Attorney General Interest—Contingent	30,528.60
Bank Examiner Fees	8.68
	2,096.97

SPECIAL REVENUE COMMISSION

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Clerk Supreme Court	1,983.30
State Treasurer Refund	13.94
District Attorney—Counties	29,121.80
Refund—Governor—Contingent	69.58
Supt. Insurance—Taxes	55,241.53
Game Warden	31,990.02
Supt. Penitentiary—Refund Brick Mach.....	65.00
County Treasurers—Tax Commission	15,351.31
Sale Certificates Ind.—Highway Debentures	500,000.90
Premium and Interest Accrued	8,183.34
Franchise Tax—Corporations	18,120.00
Ladies' Relief Society—Refund	79.76
Cary Act—Land Board	41.00
State Board Medical Examiners	1,296.50
	\$4,671,573.14

APPENDIX XXXVIII.

TOTAL POPULATION AND SCHOOL CENSUS.

	Whole 1920 Census	School 1919 Census	Per Cent School Census of Total	No. Children for each 10 ⁶ of Census
Bernalillo	29,855	11,768	39.42	3.94
Chaves	12,104	3,919	32.38	3.24
Colfax	21,550	6,821	31.65	3.17
Curry	11,236	3,559	31.68	3.17
De Baca	3,196	1,198	37.49	3.75
Dona Ana	16,046	5,334	33.24	3.32
Eddy	9,116	3,184	34.93	3.49
Grant	21,939	6,558	30.00	3.00
Guadalupe	8,015	3,038	37.90	3.79
Hidalgo	4,338	1,161	26.76	2.68
Lea	3,545	1,682	47.45	4.75
Lincoln	7,823	2,820	36.95	3.61
Luna	12,270	2,499	20.37	2.04
McKinley	14,125	2,787	19.73	1.97
Mora	13,915	4,728	33.98	3.40
Otero	7,902	2,752	34.83	3.48
Quay	10,444	3,427	32.81	3.28
Rio Arriba	19,552	6,405	32.76	3.28
Roosevelt	6,548	2,605	39.78	3.98
Sandoval	8,863	2,120	23.92	2.39
San Juan	8,333	1,787	21.44	2.14
San Miguel	22,867	8,845	38.68	3.87
Santa Fe	15,030	8,648	57.54	5.75
Sierra	4,620	1,468	31.78	3.18
Socorro	14,036	5,331	37.99	3.80
Taos	12,773	4,343	34.00	3.40
Torrance	9,731	3,298	36.05	3.61
Union	16,680	5,983	35.87	3.59
Valencia	13,795	3,766	27.47	2.75
Totals	360,247	121,834	33.82	3.38

APPENDIX XXXIX.

**RECEIPTS AND EXPENDITURES FOR FISCAL YEAR ENDING NOV. 30, 1919.
OF AGRICULTURAL COLLEGE, UNIVERSITY, SCHOOL MINES, LAS VEGAS, SILVER CITY, EL
RITO NORMAL SCHOOLS, MILITARY INSTITUTE.**

Agricultural College.	School Mines.	University.	Totals	Silver City Nor.	El Rito Normal.	Totals.	Military Institute.
Bal. on hand Dec. 1, 1918.	\$32,794.76	\$35,177.72	\$89,066.81	\$2,385.78	\$2,803.44	\$44,335.74	\$40,061.98
State Appropriation	\$1,563.76	23,274.83	20,638.01	65,461.96	85,631.18	169,708.05	40,223.38
U. S. Appropriation	116,241.26	28,417.92	144,659.18	899.49	.....	899.49	.....
County Appropriation	38,340.53	.....	38,940.53	250.00	.....	250.00	.....
Donations Indigent	.....	.....	6,600.00	4,000.00	4,279.59	8,279.59	27,500.00
State Land Income	17,000.00	10,900.00	45,358.26	73,252.26	7,400.00	2,850.00	10,250.00
Institution Tuitions	4,670.80	31,00.00	6,565.00	5,454.80	4,475.56	2,121.72	13,200.00
Dormitory—Board	35,795.23	5,722.71	18,231.44	49,749.38	12,571.32	14,425.10	125,812.52
Laboratory	700.17	245.00	73.09	1,018.26	36.25	.....	29,996.42
Textbooks	673.40	764.64	.....	1,438.04	33.61	2,851.72	36.25
Sales	29,237.84	59.40	4,711.59	34,038.83	4.20	12.45	2,885.33
Athletics	.....	673.75	673.75	.....	.....	60.04	16.65
Miscellaneous	32,754.46	75.00	486.14	33,315.60	462.56	62.88	425.45
Student Deposits	.....	.....	3,690.15	.....	.....	.....	1,090.30
Bills Payable	35,000.00	.....	16,000.00	41,000.00	.....	.....	.....
Interest on Deposits	537.38	.....	35.19	572.57	338.60	1,519.47	42.02
Retunds	887.39	48.10	.....	535.49	.....	.....	1,419.46
Miscellaneous	5,443.94	1,283.41	528.32	7,255.67	245.00	2,228.32	308.52
Totals	\$432,240.94	\$77,860.81	\$223,288.56	\$733,390.31	\$96,528.07	\$151,625.24	\$24,453.93
Administration—	.....	.....	.....	.....	.....	.....	.....
Salaries	\$150,158.13	\$15,618.70	\$53,216.02	\$218,992.85	\$43,884.67	\$40,404.58	\$8,616.67
Labor	39,373.71	4,960.75	10,071.53	51,405.99	1,216.76	134.70	\$92,805.92
Stationery	10,335.70	871.01	3,161.85	14,367.56	1,535.27	2,636.61	1,351.46
Board Meetings	.....	.....	.....	.....	30.00	56.10	1,228.56
Travel-Freight	5,114.56	1,964.58	3,309.87	10,389.01	520.50	957.81	4,339.15
Automobiles	.....	674.99	2,269.14	2,944.13	.....	426.50	4,519.34
General Maintenance	12,922.49	1,560.15	2,202.75	16,685.39	4,400.09	4,104.69	146.10
Miscellaneous	4,545.68	2,642.98	9,831.64	.....	.....	.....	.....
Maintenance Students—	.....	.....	.....	.....	.....	.....	.....
Groceries, Etc.	39,626.62	5,619.33	14,618.38	59,894.13	10,794.64	12,918.61	1,569.73
Dry Goods—Clothing	227.00	.....	1,813.14	2,070.11	.....	.....	25,282.98
Medical—Drugs	11,842.92	.....	1,245.13	13,058.05	.....	.....	49,542.52
Miscellaneous	.....	74.64	.....	74.64	850.75	363.21	2,377.54
							2,143.85
							3,427.87
							1,313.96
							1,313.96

APPENDIX XL.

RECEIPTS AND EXPENDITURES FOR FISCAL YEAR ENDING NOVEMBER 30, 1919, OF DEAF
 —AND DUMB ASYLUM, INSTITUTE FOR BLIND, MINERS' HOSPITAL, INSANE ASYLUM,
 PENTITENTIARY AND REFORM SCHOOL.

	Blind Institute	Total	Hospital	Penitentiary	School	Total		
	Deaf and Dumb	Asylum	Miners'	Hospital	In sane	Reform		
Balanc on hand 12-1-18	\$ 1,238.58	\$ 7,983.72	\$ 9,222.30	\$ 8,568.86	\$ 62.41	\$ 21,401.39	\$ 2,804.23	\$ 32,836.89
State Appropriation	21,146.57	29,083.49	50,230.06	16,458.92	88,647.88	129,535.77	13,886.03	248,528.60
State Land Income	14,139.14	5,500.90	19,639.14	.....	6,450.00	12,009.42	6,900.00	25,359.42
Institutional—Tuition, etc.	433.22	614.40	1,047.62	7,762.98	4,926.27	.....	.....	12,689.25
Sales	44.90	43.00	87.90	.....	772.40	26,298.64	1,264.83	28,335.87
Miscellaneous .....	.....	2,500.00	2,500.00	.....	38,500.00	.....	29.00	20.00
Bills Payable .....	.....	.....	.....	.....	122,000.00	.....	.....	38,500.00
Sale of Bonds .....	.....	.....	.....	.....	.....	.....	.....	122,000.00
Interest on Deposits	169.86	65.56	235.42	.....	126.20	.....	162.93	289.13
Refunds .....	.....	63.63	63.63	3.00	.....	.....	.....	3.00
Miscellaneous	360.18	35.12	395.30	62.75	13.08	75.83
	\$37,532.45	\$45,888.92	\$83,421.37	\$32,793.76	\$261,547.91	\$189,245.22	\$25,051.10	\$508,637.99

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	Total	Birds Institute	Asylum	Deaf and Dumb	Mines,	Hospital	Inmate	Hospital	Insane	Hospital	Reform	School	Total
Administration—Salaries	\$10,806.75	\$13,456.60	\$24,263.35	\$10,039.98	\$ 32,478.35	\$ 29,700.31	\$ 5,547.31	\$ 77,765.95					
Stationery	149.56	208.89	358.45	79.15	.....	946.80	233.46	1,259.41					
Board Meet's				167.00	803.85	1,645.47	230.10	2,846.42					
Travel, trt	924.78	941.55	1,866.33	111.45	.....	1,998.32	395.54	2,505.31					
Automobile				678.77	.....	5,033.40	.....	5,712.17					
Gen'l Maint.		6,641.59	6,641.59	188.26	.....	4,000.00	2,755.89	44.21	188.26	.....	6,800.10		
Miscell.	5,910.11	7,062.90	12,973.01	8,429.42	31,139.82	31,759.32	3,865.92	75,194.48					
Maint.—Groceries		3,762.84	3,762.84	669.40	8,279.46	8,651.04	2,571.78	20,171.68					
Dry Goods, Clothing		3,390.46	1,786.33	938.79	571.02	902.35	818.05	3,239.21					
Medical, Drugs	395.87	.....		1,434.68	.....	11,738.70	.....	13,173.38					
Miscellaneous		543.07	.....	543.07	.....	2,068.22	27.70	18.56	46.26	.....		
Institu.—Library, Books	2,524.14	.....	2,524.14	.....	.....	.....	147.31	2,215.53					
Equipment		1,675.79	1,675.79	.....	13,361.96	.....	1,468.38	14,830.34					
Farms, Stock, Gard.		108.90	108.90	.....	.....	.....	19.90	19.90	19.90	.....		
Industrial													
Miscellaneous	7.65	5,001.89	5,009.54	.....	.....	250.00	100.00	222.60	322.60	.....		
New Buildings, Improvements	161.57	4,650.28	4,811.85	641.05	.....	664.85	416.80	509.93	8,223.39	.....		
Furniture and Fixtures	2,878.42	2,169.17	5,047.59	2,245.75	8,838.71	24,542.74	1,434.79	2,232.63	37,061.99	.....		
Bldgs.—Water, Light, Fuel	250.91	1,595.40	1,846.31	1,067.64	2,711.35	2,917.79	334.20	7,030.98					
Insurance, Interest	1,314.77	.....	1,314.77	1,356.44	4,526.05	5,246.35	580.07	11,708.91					
Repairs		16.10	.....	32.20	727.25	24,500.00	16,416.88	40,916.88					
Bills Payable	707.85	.....	707.85	.....	.....	13,515.63	.....	14,242.88					
Totals		\$28,376.24	\$46,897.67	\$75,273.91	\$28,775.03	\$132,125.42	\$168,357.10	\$18,442.11	\$347,699.66				
Balance on hand 11-30-19	9,156.21	1,008.75	8,147.46	4,018.73	129,422.49	20,888.12	6,608.99	160,938.33					

STATE LEVIES CERTIFIED BY AUDITOR.

Purposes	1912	1913	1914	1915	1916	1917	1918	1919	1920
State Purposes (Including Levies for Institutions)	.01200	.01210	.01010	.00297	.00267	.00359	.00350	.00350	.00315
Roads	.00100	.00100	.09100	.00033	.00033	.00100	.00100	.00150	.00150
War	.....	.....	.....	.....	.....	.00040	.00025	.00025	.00010
School	.00050	.00050	.09050	.00050	.00050	.00050	.00050	.00500	.00500
Charitable Institutions	.....	.....	.....	.00015	.00015	.....	.....	.....	.....
Total State General Levies	.01350	.01360	.01160	.00395	.00365	.00540	.00525	.00575	.00525
Sheep Sanitary	.00800	.00800	.00800	.00300	.00300	.00500	.00500	.00050	.00040
Cattle Indemnity	.00350	.00350	.00350	.00050	.00050	.....	.00200	.00200	.00100
Eradication of Disease	.00350	.00350	.00350	.....	.....	.....	.....	.....	.....

APPENDIX XLII.

PRODUCTION FROM TAX LEVIES, 1914-1919.

Purposes	1914	1915	1916	1917	1918	1919
State Purposes	\$1,008,990.65	\$1,090,794.60	\$1,040,494.04	\$1,264,377.14	\$1,335,019.47	\$1,261,504.54
Schools—State, County, District	1,303,160.85	1,583,400.19	1,688,379.72	2,331,497.98	2,624,835.89	3,424,814.80
Roads—State, County	336,566.74	318,783.62	380,892.19	982,550.69	1,095,125.58	2,188,304.32
State Special—Live Stock	59,010.95	49,592.13	51,533.22	54,827.46	185,450.40	104,630.81
War Fund .....	.....	.....	.....	144,454.37	95,285.78	90,108.65
County Generals	998,090.86	898,548.42	870,326.37	1,091,560.95	984,667.19	1,351,308.93
County Special	35,268.42	28,364.10	8,189.06	70,982.53	6,220.18	140,327.24
Municipal	249,671.14	270,382.69	336,934.66	314,402.97	469,550.35	624,035.40
Totals	\$3,990,759.61	\$4,239,865.75	\$4,376,749.26	\$6,254,655.09	\$6,796,154.84	\$9,185,034.69

NOTE.—(1) Production of levies extended on net value of output of mines not included. (2) State purposes include state institutions.



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